



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Participatory Budgeting and Financial Performance of Private Universities in Kenya. A Case of the Management University of Africa

CPA Amos K. Agui^{a*}, Dr John Cheluget^b

^{a, b} Department of Business Administration, Management University of Africa, Nairobi, Kenya

DOI : <https://doi.org/10.5281/zenodo.14195539>

ABSTRACT

Participatory budgeting, a budgeting process approach, started in the public sector in Brazil in 1989. The approach is well established in the public sector and not in the private sector and, thus, the researcher's interest to establish the effect of participatory budgeting on the financial performance of private universities in Kenya. The findings from this study were expected to shape theory, policy and practice. The research findings will add knowledge to future research, will influence the regulatory role of the Commission for University Education in Kenya and will also encourage universities in the country to incorporate more participation in their budgeting processes. The study's anchor theory, goal setting theory, was supported by incrementalism theory and agency theory. The study examined past empirical studies to find research gaps to be addressed in the study. The descriptive research design suited the researcher's desire to know how participatory budgeting was related to financial performance. The target population consisted of eighty employees from the Management University of Africa. The researcher carried out a census of the targeted population. Prior to data collection, a pilot study tested the validity and reliability of the data-gathering method. Primary data was gathered via an online questionnaire and analysis done through the statistical package for social sciences software to reveal the link between participatory budgeting and financial performance. Tables and figures were used to display descriptive and inferential statistics. The coefficient of determination indicated that the regressors in the study did not fully explain the variation in the regressand as other regressors not considered in the study were also responsible for the variation. Results from the study showed that participatory budgeting considerably and favourably affected the performance of private universities in Kenya. The study, therefore, advised private universities in Kenya to involve staff in the creation of their budgets and in controlling the actual expenditure in relation to the budget estimates as a way of improving their financial performance.

Keywords: Budget, participatory budgeting, budget planning, budget committee, budgetary control, financial performance

1. Introduction

Participatory budgeting (PB) is a decision-making process through which citizens deliberate and negotiate over the distribution of public resources (Shah, 2007). In this approach, citizens directly participate in the making and implementation of the budget. Participatory budgeting was first launched in 1989 by the city of Porto Alegre, Brazil, as a novel approach to budget decision-making (UN-Habitat, 2007). After initial trials in Brazil, it quickly spread to other cities in South America and Europe. The backing of the UN-Habitat and the World Bank has allowed PB to expand globally and exponentially to Africa, Eastern Europe, Asia, and North America. Citizens' participation in budgeting is popular in national and local governments.

1.1 Background of the Study

In North America, Secondo and Lerner (2020) advocated for PB. They opined that PB does not always fulfil its frequently idealized concept of being a groundbreaking social justice initiative. Their encounter in the 49th Ward of Chicago exemplified two primary causes. First, it is not always the case that the underprivileged gather in large numbers to discuss basic infrastructure in developed nations. Second, small-scale PB projects might not expand past insignificant local efforts, which means they may not reform government more broadly. Buele et al. (2020) examined the local management and governance benefits of participatory budgeting in Ecuador. They observed that PB's implementation in rural communities led to an improvement in governance and the provision of services to citizens. They also stated that the PB restricted the acquisition of representative benefits due to citizens' lack of interest in project execution and monitoring. Fachrizal et al. (2017) established that participation in the budgeting process did not have a direct influence on the performance of government offices in West Lombok, Indonesia. They asserted that improved government officials' performance could be achieved by providing motivation in budgeting, providing information necessary for budgeting, and encouraging commitment to budgetary goals.

In South Africa, Masiya et al. (2021) sought to find out the participatory budgeting process in a Municipality and how much the populace thought they were involved in the process. Despite citizens emphasizing the significance of participatory budgeting, the article concluded that citizen participation was low leading to poor service delivery. In Nigeria, Iyoha (2021) investigated the consequences of budgeting and oversight in the country's tertiary institutions. He realized that efficient management of tertiary institutions required excellent budgeting and budgetary control. In Kenya, Wangari and Muturi (2017) conducted research on budget management practices and the financial performance of public universities. They discovered financial

success in Kenya's public universities was influenced by practices such as budget adherence, financial control, investment decisions, and financial planning. In Western Kenya's public universities, Nyongesa et al. (2016) researched budget monitoring and financial performance. They noted tightening of the purse strings greatly enhanced the financial achievements of public universities in Kenya.

1.2 Statement of the Problem

PB dates back to 1989 in the public sector in Porto Alegre, Brazil (Melgar, 2014). Since then, the practice has developed and spread globally (Bartocci et al., 2019). UN-Habitat (2007) opined that participatory budgeting is becoming more popular in national as well as local governments throughout Africa, yet some nations are still hampered by a lack of accountability and transparency. Despite the growing interest in this approach, empirical studies in universities are limited (Wen et al., 2022). Buele et al. (2020) observed that PB implementation had a positive correlation with improvement in rural Ecuadorian governance and citizens' quality of life. PB allows departmental managers to participate in creating an organization's budget hence they will own the budget and will ensure the financial goals in the budget are achieved (Wagner et al., 2021). Masiya et al. (2021) concluded that participatory budgeting was important as noted by citizens in their study. Iyoha (2021) believed that excellent budgeting and financial control were necessary for effective managers. Budgeting, according to Wangari and Muturi's (2017) research, influenced positively the financial achievements of state universities in Kenya. Financial results of higher education public institutions in Kenya were considerably and favourably influenced by budget discipline as highlighted by Nyongesa et al. (2016). On the contrary, Fachrizal et al. (2017) established that budgetary participation had no direct effect on performance. Secondo and Lerner (2020) noted that, as a project for social justice that could revolutionize society, PB did not always live up to this ideal. A common criticism of PB processes is that they are not as participatory as they should be (Knutson, 2016). Drury (2018) observed that for a long time, it was believed that involvement in decision-making would guarantee the success of organizational efforts. However, this line of reasoning was eventually refuted. The proposers of this view have not concretely proven that participation improves an organization's performance and the opposers have also not proven otherwise. Melgar's (2014) and UN-Habitat's (2007) views that PB had grown in the government sector at the expense of the private sector indicated a contextual gap that this study sought to address. Wen et al.'s (2022) observation of limited PB studies in universities and the lack of common ground on available studies conducted by Buele et al. (2020), Masiya et al. (2021), Iyoha (2021), Wangari and Muturi (2017), Nyongesa et al. (2016), Fachrizal et al. (2017) and Secondo and Lerner (2020) implied a scarcity of knowledge that the study also intended to address.

1.3 Objectives of the Study

1.3.1 General Objective

To establish the effect of participatory budgeting on the financial performance of private universities in Kenya.

1.3.2 Specific Objectives

- i. To establish the effect of budget planning on the financial performance of private universities in Kenya.
- ii. To assess the effect of budgetary control on the financial performance of private universities in Kenya.

1.4 Significance of the Study

The study will be a source of knowledge to researchers, academics, and students in their research. The study will also allow researchers to spot research gaps for their future research. In addition, the research conclusions will influence the oversight role of the Commission for University Education (CUE) as a regulator for both public and private universities in Kenya. The regulator will ensure a budget approved by a University Governing Council (UGC) as provided for in the Kenya Universities Act 2012 has been subjected to a participatory process in any university. The Kenya Association of Private Universities (KAPU), the country's association of privately owned universities, will also greatly benefit from the research conclusions. Further, the recommendations in the study will encourage MUA's participation in its budgeting process so that it can reap the rewards of PB. These suggestions will be equally applicable to Kenya's other private and state universities.

2. Literature Review

2.1 Theoretical Literature Review

2.1.1 Goal Setting Theory

Goal setting theory was developed by Edwin A. Locke in 1968 (Locke, 1968). Locke and Latham (2006) developed five goal-setting principles that can improve productivity: task complexity, clarity, challenge, commitment and feedback. According to Gkizani & Galanakis (2022), the most successful performance occurs when goals are precise and demanding, when they measure performance and are linked to feedback on results, and when they inspire commitment and acceptance. Ngumi and Njogo (2017) suggested that when an organization has set goals/objectives, it will be motivated to work and

remain focused on those goals. A budget is a plan that has been set. Goal setting theory views the budget as a goal that is set to be achieved hence the applicability of this theory in the study. Goal setting theory was the anchor theory in the study.

2.1.2 Incrementalism Theory

The theory was developed by the American political scientist Charles E. Lindblom in 1959 (Lindblom, 1959). According to Reddick (2003), the budget policymaker does not need to attempt to comprehend every spending decision from the bottom up when using the incrementalist method. Instead, it is his or her responsibility to understand how the various budgetary allocations differ from the current situation. Just a small number of choices for policy considerations need to be included in the budgetary framework because no significant budgetary changes are needed from year to year (Wildavsky, 1964; Fenno, 1966). Future budget is incremental based on the current period's performance hence the applicability of this theory in the study.

2.1.3 Agency Theory

The theory was developed by Stephen Ross and Barry Mitnick in 1973 and 1975, respectively (Mitnick, 2019). Agency theory was created around the idea of authoritative connections between two gatherings with clashing destinations i.e., principals and agents (Keng'ara & Makina, 2020). Principals can motivate agents to dedicate time to tasks that benefit the principal and to communicate to the principal what the agent knows about local conditions when budgeting systems are designed appropriately (Covaleski et al., 2006). In PB, agents increase the knowledge of principals on local conditions in departments of a given company, decrease information asymmetry and thus, increase the satisfaction of principals with budgeting outputs (Wagner et al., 2021). In MUA, budgeting is a UGC's (principal) responsibility delegated to UMB (agents) thus the applicability of this theory in the study.

2.2 Empirical Literature Review

2.2.1 Budget Planning and Financial Performance

Buele et al. (2020) examined PB's role in the administration of rural villages in Ecuador. The study found a low level of municipal planning compliance (43%) and a high level of citizen dissatisfaction (91%). The study also observed that the rollout of PB in the Ecuadorian rural villages limited benefits that implied a rise in both the quality of the citizenry's lives and the governance. This was due to citizens' lack of interest in participating in project execution and monitoring phases as a result of a lack of participatory education. Masiya et al. (2021) undertook a study on participatory budgeting in a South African local municipality. Because there was a widespread lack of community involvement in the budget formulation and implementation processes, 60% of respondents claimed that the services the municipality offered to the community were not following their top demands. In addition, 94% of respondents who identified themselves as citizens believed that the municipality ran its operations and provided services in a top-down manner.

The subject of Momanyi and Omari's (2018) study was how budget strategy impacted operational effectiveness in Kenya's public universities. The population target comprised 1,480 employees from 29 chartered public institutions and represented the top and middle levels of administration. Three hundred and ninety-one employees comprised the sample for the study. A correlation statistic of 0.231 and a probability of less than 0.05 ($r = 0.231$, $p < 0.05$) showed a significant direct link meaning the performance of Kenyan public universities increases positively as budgeting increases. Their regression results were an R square of 0.053, a regression coefficient of -0.188 and a level of significance of 0.000 ($R^2 = 0.053$, $\beta = -0.188$, $p < 0.05$). From the findings, a one-unit increase in budgeting strategy led to a statistically significant reduction of 0.188 units of financial performance. They also indicated that 5.3% of changes in financial performance were attributable to budget strategy variables and the remaining 94.7% were attributable to variables absent in the regression model. This study aimed to add knowledge by analyzing how the performance was affected by budget planning in Kenya's privately funded higher education.

2.2.2 Budgetary Control and Financial Performance

Ifrah et al. (2015) analyzed the influence of the effectiveness of budgetary control techniques on the organizational performance of Dara-Salaam Bank in Hargeisa, Somaliland. A census of the bank's 70 staff members was conducted in the study. The researchers discovered a positive increase in the efficiency of budgetary control techniques led to an improvement in the bank's performance ($r = 0.949$, $p < 0.01$). The results implied that the budgetary control tool was strongly and positively correlated to organizational performance, that is, an increase in the effectiveness of the control tool would improve performance. The study showed budgetary control's influence on the economic achievements of a privately-owned bank and there was a need also to study the influence of such control on private higher education in Kenya.

Nyongesa et al. (2016) studied budgetary control impact and the performance of private universities in western Kenya. The findings were a correlation coefficient of 0.817, coefficient of determination (R^2) of 0.668, beta coefficient of 0.823 and a level of significance of 0.000 ($R = 0.817$, $R^2 = 0.668$, $\beta = 0.823$ and $p < 0.05$). The research confirmed a significant direct link between financial performance and controlling the budget. Budgetary control could explain a 66.8% change in performance. Further, an increase of 0.823 units in financial performance arose from an increase of 1 unit in budgetary control. The study found that the performance of government-funded higher education was positively influenced by control of the budget in Kenya. The above study dwelt on public universities in Kenya and this study focused on private universities in the country.

2.2.3 Conceptual Framework

“The purpose of a conceptual model is to help the reader to quickly see the proposed relationship,” (Mugenda & Mugenda, 2003). The research was interested in establishing the effect of participatory budgeting on the financial performance of private universities in Kenya. According to Figure 1, the independent variables were budget planning and budgetary control and the dependent variable was financial performance.

Research Methodology

Research Design

The researcher adopted a descriptive research design. “Descriptive research is research for which the purpose is to produce an accurate representation of persons, events or situations,” (Saunders et al., 2015). Sekaran and Bougie (2016) reasoned that descriptive research is employed when a researcher wants to describe populations, events, or situations and is interested in connections between various factors. “A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and the tabulation of the frequencies on research variables or their interaction,” (Cooper & Schindler, 2014). It answers who or what questions in research. The researcher’s interest in this study was to determine the effect of participatory budgeting on the financial performance of private universities in Kenya. The researcher’s desire to find out who participated and to what extent they participated in the budgeting process justified the use of this research design in the study.

Target Population

According to Cooper and Schindler (2014), “target population are those people, events, or records that contain the desired information for the study that determine whether a sample or a census should be selected.” Mugenda and Mugenda (2003) defined population as “an entire group of individuals, events, or objects having a common observable characteristic.” The population under study was comprised of 80 staff based in all the departments of the Management University of Africa as per Table 1.

Table 1 Target Population

Employees	Total	Percentage
Top-Level Management	11	14%
Middle-Level Management	13	16%
Lower-Level Management	56	70%
Total	80	100

Source: Research Findings (2023)

Sample and Sampling Technique

Once a target population is identified, the researcher determines whether to sample the population or carry out a census (Cooper & Schindler, 2014). A census is appropriate where it is practicable for a researcher to survey the entire population and where there is sufficient time to survey the entire population (Saunders et al., 2015). To conduct a census, the researcher must inspect or tally every component of the target population. It was practicable to collect data from all the respondents in the Management University of Africa hence the researcher carried out a census.

Data Collection Instrument

The tools for gathering data necessary to substantiate or support facts are referred to as data collection tools (Mugenda and Mugenda, 2003). The researcher collected data using a structured questionnaire. Due to the geographically dispersed respondents, an electronic questionnaire was chosen since it was more convenient and cost-effective to conduct (Sekaran & Bougie, 2016). On the downside, this survey typically receives poor response rates, and it is impossible to know whether the information obtained is objective because non-respondents may have different sentiments from those who responded.

Pilot Study

“The purpose of the pilot test is to refine the questionnaire so that respondents will have no problems in answering the questions and there will be no problems in recording the data,” (Saunders et al., 2015). Prior to data collection, a pilot test was carried out to test the reliability as well as the validity of the questionnaire. Five per cent of the 80 respondents were subjected to a pilot test in the census. From the test, adjustments were made to the data collection tool to improve its reliability and validity. The pilot study’s participants were not included among the study’s respondents in the research findings.

Data Analysis and Presentation

According to Mugenda and Mugenda (2003), raw data collected from the field is challenging to interpret and must first be cleaned, processed, input into a computer, and then analyzed. SPSS software was used in analyzing collected data. Data was descriptively presented as per the respondents’ information in the questionnaire. Descriptive results and inferential results were utilized to demonstrate the association between the study variables.

The multiple regression model that was employed was as follows:

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

Where:

Y = dependent variable (financial performance)

β_0	= a constant
β_1, β_2	= changes induced in Y by X_1 and X_2
X_1, X_2	= independent variables (budget planning and budgetary control)
ε	= error term

Research Findings and Discussion

Validity and Reliability Test Results

The questionnaire's validity was ascertained through professionals in accounting. Accounting professionals at the MUA, holders of Certified Public Accountants of Kenya (CPAK) certification, assisted in ensuring the questionnaire contained a sufficient and representative group of questions that accurately captured the study's content. The research instrument was then adjusted once all the changes were taken into consideration. Cronbach's coefficient (α) in Table 2 confirmed that the questionnaire was reliable for data collection according to Sekaran and Bougie (2016).

Table 2 Reliability Test Results

Variable	Variable Type	No of Items	Cronbach's Alpha (α)	Interpretation
Budget Planning	Independent	7	0.773	Reliable
Budgetary Control	Independent	7	0.872	Reliable
Financial Performance	Dependent	7	0.959	Reliable

Source: Research Findings (2023)

Descriptive Statistics

"Descriptive statistics are statistics such as frequencies, the mean, and the standard deviation, which provide descriptive information about a set of data," (Sekaran & Bougie, 2016). Saunders et al. (2015) postulated, "Descriptive statistics enable you to describe and compare variables numerically,". Table 3 presents the descriptive statistics from the study.

Table 3 Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Performance	66	1	5	3.47	1.00
Budget Planning	66	1	5	3.53	0.70
Budgetary Control	66	1	5	3.41	0.83

Source: Research Findings (2023)

From the Likert scale, means of 3, greater than 3 and below 3 denote neutral, agreement and disagreement respectively. In Table 3, all the means are greater than 3 revealing that respondents believed that financial performance was affected by PB and budget planning and also that budgetary control affected financial performance of Kenyan private universities.

Correlation Statistics

Saunders et al. (2015) defined Pearson's correlation coefficient (r) as, "a statistical test that assesses the strength of the relationship between two numerical data variables." A positive association is denoted by a coefficient above 0 (+1) and a negative association is denoted by a value below 0 (-1). A positive correlation has a value of 1. Positive correlation implies that the values of two variables are directly correlated and will rise as one variable's value rises and vice versa for negative correlation. Table 4 presents correlation statistics from the study.

Table 4 Correlation Analysis

		Financial Performance	Budget Planning	Budgetary Control
Financial Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	66		
Budget Planning	Pearson Correlation	.558**	1	
	Sig. (2-tailed)	.000		
	N	66	66	
Budgetary Control	Pearson Correlation	.661**	.702**	1
	Sig. (2-tailed)	.000	.000	
	N	66	66	66

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

Source: Research Findings (2023)

The findings in Table 4 indicate a strong positive and significant association ($r = 0.558$, $p < 0.01$) between budget planning and financial performance in private institutions of higher learning in Kenya was directly proportional. This finding agreed with Momanyi and Omari (2018) whose study pointed out a direct and substantial association ($r = 0.231$, $p < 0.05$) between financial performance and budgeting strategy in Kenyan public universities. In addition, a substantial and direct association existed ($r = 0.661$, $p < 0.01$) between financial performance and budget control. The finding was in tandem with Iyoha's (2021) conclusion that tertiary institutions cannot be managed without efficient budgetary control.

Collinearity Statistics

Sekaran and Bougie (2016) stated, "multicollinearity is an often-encountered statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated". The regression coefficient estimations become erroneous as a result. The tolerance value and the variance inflation factor (VIF) are the measures for testing multicollinearity in research. These measurements show how one predictor variable is explained by another. High collinearity is indicated by extremely low tolerance values (0.10 or lower) or high VIF values (10 or higher). In Table 5, there was no multicollinearity problem in the regression model as there were no tolerance values below 0.10 or VIF values above 10.

Table 5 Collinearity Statistics

Dependent Variable: Financial Performance

Model	Variable	Collinearity Statistics	
		Tolerance	VIF
1	Budget Planning	0.444	2.251
	Budget Control	0.418	2.395

Source: Research Findings (2023)

Regression Statistics

Multiple regression is an analysis that determines the association between the output variable and the input variable in research (Sekaran & Bougie, 2016). Each coefficient in the regression model predicts the variation in the predicted variable for a unit change in a predictor variable while holding the other predictors constant. Tables 6, 7 and 8 give regression statistics from the study.

Table 6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.674 ^a	0.454	0.437	0.748

Note 1 ^a Predictors: (Constant), Budgetary Control, Budget Planning

Source: Research Findings (2023)

The research intended to determine the connection between PB and financial performance. In the regression model, there was a direct association between PB and financial performance given an R-value of 0.674. According to the coefficient of determination of 0.454, a unit change in PB was responsible for a 45.4% variation in financial performance. Other regressors missing in the regression model accounted for the remaining 54.6% variation in the regressand.

Table 7 ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.328	2	14.664	26.196	.000 ^b
	Residual	35.266	63	0.560		
	Total	64.594	65			

Note 1 ^a Dependent Variable: Financial Performance

^b Predictors: (Constant), Budget Control, Budget Planning

Source: Research Findings (2023)

From Table 7, the F-value was 26.196 and the probability value associated with the F-value was 0.000 ($p < 0.05$). Since the probability value was below the level of significance, the regression model was statistically significant for predicting the change in the financial performance of private universities in Kenya.

Table 8 Regression Coefficients

Model	Unstandardized Coefficients	Standardized	t	Sig.
		Coefficients		

		B	Std. Error	Beta		
1	(Constant)	0.350	0.485		0.722	0.473
	Budget Planning	0.264	0.187	0.184	1.411	0.163
	Budgetary Control	0.640	0.157	0.531	4.065	0.000

Note ^a Dependent Variable: Financial Performance

Source: Research Findings (2023)

The constant (y-intercept) was insignificant in the regression model with a t-statistic of 0.722 ($t < 1.997$) and a probability of 0.473 ($p > 0.05$). This meant that the financial performance was not affected where the values of all independent variables were zero. Budget planning had a t-statistic of 1.411 ($t < 1.997$) and a probability of 0.163 ($p > 0.05$) hence the variable was also statistically insignificant. This finding indicated that financial performance would not be affected by staff participation in budget planning in privately funded higher education in Kenya. This study's finding concurred with Fachrizal et al. (2017) who discovered that the coefficient between participatory budgeting and performance had a t-statistic value of 1.27 demonstrating that participating in budgeting did not affect the performance of West Lombok District Government in Indonesia. Table 8 displays the statistical significance of budgetary control with a t-statistic of 4.065 and a probability of 0.000 ($t > 1.997$, $p < 0.05$). This result means a variation in one unit of budgetary control led to a 0.640 unit rise in the financial performance of Kenyan private universities. The finding concurred with Wangari and Muturi (2017) whose study demonstrated that, while other model variables were held constant, there was an improvement in financial performance of 0.223 units.

The regression coefficients in Table 17 presented an overall regression model as follows:

$$Y = 0.350 + 0.264X_1 + 0.640X_2 + \varepsilon$$

Where:

Y = Financial performance

X₁ = Budget planning

X₂ = Budgetary control

ε = Error term

5. Summary, Conclusion and Recommendations

5.1 Summary of Findings

The study examined the effect of budget planning on the financial performance of Kenya's private universities. 63% of respondents agreed that their participation in making the budget increased their commitment to the financial goals in the budget. 65% of respondents, however, believed that HODs participated more in budgeting for the University than the rest of the staff. A direct link existed between financial performance and budget planning in private universities in Kenya ($r = 0.558$, $p < 0.01$). An increase in financial performance was due to the involvement of participants in budget-making in private universities in Kenya. This finding agreed with Momanyi and Omari (2018) whose study pointed out a direct relationship between performance and budgeting strategy in Kenyan public universities ($r = 0.231$, $p < 0.05$). A positive rise in performance was due to a positive rise in budget strategy. The effect of budget planning on financial performance was statistically insignificant ($t < 1.997$, $p > 0.05$). This finding indicated that staff participation in budget-making would not affect the financial performance of private universities in Kenya. Consistent was the finding in the study with that of Fachrizal et al. (2017) who also found that financial performance was not impacted by PB in the West Lombok District Government in Indonesia.

The study also assessed the effect of budgetary control on the financial performance of private universities within Kenya. 68% of respondents agreed that departmental spending was directed by budgeted cost estimates. However, 36% of them were least likely to believe that the University involved them in comparing the budget with the actual estimates and taking corrective action. A direct association existed between financial performance and budget planning in private universities in Kenya ($r = 0.661$, $p < 0.01$). The participation of staff in the budgeting control would lead to better financial performances of private universities in the country. The finding was in tandem with Iyoha's (2021) conclusion that tertiary institutions cannot be managed without efficient budgetary control. The findings showed that budgetary control affected the financial performance of private universities in Kenya ($\beta = 0.428$, $p < 0.05$). This result implied that an increase of 0.428 units in the financial performance of Kenyan private universities arose from one one-unit increase in budgetary control. This result concurred with Wangari and Muturi (2017) whose model established a 0.223 unit increase in the Kenyan public universities' financial performance from a one-unit increase in budget monitoring ($\beta = 0.223$, $p < 0.05$).

5.2 Conclusion

According to the study findings, budgetary performance was not affected by participation in budget planning in private universities in Kenya. This suggested that increasing budget planning would have a negligible effect on performance when all other factors influencing performance were held constant. This meant that staff participation in the university budgeting process did not have to be 100%. The study also showed that financial performance was favourably and significantly impacted by budgetary control in Kenyan private universities. This meant that as budgetary controls were tightened, wastage was contained, corrective actions to unfavourable variances were taken and, thus, university performance improved. This was because control monitored budgetary progress by comparing budget forecasts to actuals and taking corrective action as needed.

5.3 Recommendations

The researcher's suggestions are consistent with the study's input and output variables, collected data and their findings. By implementing these suggestions, private universities can improve their financial performances by ensuring that their budgeting processes are well-aligned, open, and managed. The study recommends the involvement of staff in the budget planning for private universities in Kenya for them to own the budgeting process. Departmental heads, faculty, and administrators should all be involved in the budget development processes. This will make them feel more invested in and encouraged to stick to the budget as a result of their involvement, which will give budgeting participants a sense of ownership over it. This study recorded a significant direct correlation between financial performance and budgetary control in private universities operating within Kenya. The study also recommends private universities put in place a method for tracking actual spending and earnings versus the budget regularly. This will make it possible to spot variances quickly and take appropriate action. To comprehend the causes of budget discrepancies, private universities should do a variance analysis. This understanding will make it easier to pinpoint areas in need of improvement or modification. They ought to provide room in the budget for flexibility so that they can respond to unanticipated changes.

5.4 Suggestions for Further Research

First, this study demonstrated a statistically insignificant association between financial performance and budget planning meaning there was no effect on the former from the latter. There are mixed findings in these variables as some studies have determined a direct and significant relationship and others a negative and significant association between the variables. More research on these variables is, therefore, suggested to confirm the effect of budget planning on the financial performance of private universities in Kenya. Second, the R square in this study was not 100% ($R^2 = 45.4\%$), indicating that other variables need consideration in future research.

References

- Bartocci, L., Grossi, G., & Mauro, S. G. (2019). Towards a hybrid logic of participatory budgeting. *International Journal of Public Sector Management*, 32(1), 65–79. <https://doi.org/10.1108/ijpsm-06-2017-0169>
- Buele, I., Vidueira, P., Yagüe, J. L., & Cuesta, F. (2020). The participatory budgeting and its contribution to local management and governance: Review of experience of rural communities from the Ecuadorian Amazon Rainforest. *Sustainability*, 12(11), 4659. <https://doi.org/10.3390/su12114659>
- Cooper, D. R., & Schindler, P. S. (2013). *Business research methods* (12th ed.). McGraw-Hill Education.
- Covaleski, M., Evans, J. H., Luft, J., & Shields, M. D. (2006). Budgeting research: Three theoretical perspectives and criteria for selective integration. *Handbooks of Management Accounting Research*, 587–624. [https://doi.org/10.1016/s1751-3243\(06\)02006-2](https://doi.org/10.1016/s1751-3243(06)02006-2)
- Drury, C. (2018). *Management and Cost Accounting* (10th ed.). Cengage Learning EMEA.
- Fachrizal, M., Suparman, L., & Animah, A. (2017). The effect of participatory budgeting on the performance of government officials (An empirical study in West Lombok District). *The Indonesian Accounting Review*, 6(2), 181–194. <https://doi.org/10.14414/tiar.v6i2.609>
- Fenno, R. F., Jr. (1966). *The power of the purse: Appropriations politics in Congress* (1st ed.). Little, Brown & Company.
- Gkizani, A. M., & Galanakis, M. (2022). Goal setting theory in contemporary businesses: A systematic review. *Psychology*, 13(03), 420–426. <https://doi.org/10.4236/psych.2022.133028>
- Ifrah, A. M., Kerosi, E., & Ondabu, I. T. (2015). Analysis of the effectiveness of budgetary control techniques on organizational performance at Dara-Salaam Bank in Somaliland. *International Journal of Business Management and Economic Research*, 6(6), 327–340. <http://www.ijbmer.com/docs/volumes/vol6issue6/ijbmer2015060603.pdf>
- Iyoha, A. E. (2021). Impact of budgeting and budgetary control in tertiary institutions: A case study of Edo University, Nigeria. *African Scholar Journal of Humanities and Social Sciences*, 20(6), 11–24. https://www.africanscholarpublications.com/wp-content/uploads/2021/06/AJHSS_Vol20_No6_March_2021-2.pdf
- Keng'ara, R., & Makina, I. (2020). Effect of budgetary processes on organizational performance: A case of marine state agencies, Kenya. *Universal Journal of Accounting and Finance*, 8(4), 115–130. <https://doi.org/10.13189/ujaf.2020.080404>
- Knutson, E. (2016). It's our turn to decide: Participatory budgeting in Chicago's 49th Ward. *National Civic Review*, 105(4), 14–22. <https://doi.org/10.1002/ncr.21297>
- Lindblom, C. E. (1959). The Science of "Muddling Through." *Public Administration Review*, 19(2), 79. <https://doi.org/10.2307/973677>
- Locke, E. A. (1968). Toward a theory of task motivation and incentives. *Organizational Behaviour and Human Performance*, 3(2), 157–189. [https://doi.org/10.1016/0030-5073\(68\)90004-4](https://doi.org/10.1016/0030-5073(68)90004-4)
- Locke, E. A., & Latham, G. P. (2002). Building a practically useful theory of goal setting and task motivation: A 35-year odyssey. *American Psychologist*, 57(9), 705–717. <https://doi.org/10.1037/0003-066x.57.9.705>
- Locke, E. A., & Latham, G. P. (2006). New directions in goal-setting theory. *Current Directions in Psychological Science*, 15(5), 265–268. <https://doi.org/10.1111/j.1467-8721.2006.00449.x>
- Masiya, T., Mazenda, A., & Gwabeni, T. N. (2021). Participatory budgeting in a South African local municipality. *International Journal of Management Practice*, 14(3), 325–342. <https://doi.org/10.1504/ijmp.2021.115098>
- Melgar, T. R. (2014). A time of closure? Participatory budgeting in Porto Alegre, Brazil, after the Workers' Party era. *Journal of Latin American Studies*,

46(1), 121–149. <https://doi.org/10.1017/s0022216x13001582>

Mitnick, B. M. (2019). Origin of the theory of agency: An account by one of the theory's originators. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.1020378>

Momanyi, C., & Omari, S. M. (2018). Does budgeting strategy influence the organizational performance of public universities in Kenya? *International Journal of Novel Research in Humanity and Social Sciences*, 5(4), 30–37. <https://www.noveltyjournals.com/upload/paper/Does%20Budgeting%20Strategy-1408.pdf>

Mugenda, O. M., & Mugenda, A. G. (2019). *Research methods: Quantitative, qualitative and mixed methods approaches*. Centre for Innovative Leadership & Governance.

Ngumi, D. K., & Njogo, D. M. (2017). Effect of budgeting practices on the financial performance of insurance companies in Kenya. *International Journal of Economics*, 2(3), 14–30. <https://www.iprjb.org/journals/index.php/IJECON/article/view/237>

Nyongesa, A. S., Odhiambo, A., & Moses, N. (2016). Budgetary control and financial performance in public institutions of higher learning in Western Kenya. *International Journal of Business and Management Invention*, 5(8), 18–22. [https://www.ijbmi.org/papers/Vol\(5\)8/D0508018022.pdf](https://www.ijbmi.org/papers/Vol(5)8/D0508018022.pdf)

Reddick, C. G. (2003). Budgetary decision making in the twentieth century: Theories and evidence. *Journal of Public Budgeting, Accounting & Financial Management*, 15(2), 251–274. <https://doi.org/10.1108/jpbafm-15-02-2003-b005>

Saunders, M. N. K., Lewis, P., & Thornhill, A. (2015). *Research methods for business students (7th edition)* (7th ed.). Pearson.

Secondo, D., & Lerner, J. (2020). By the people, for the people: Participatory budgeting from the bottom up in North America. *Journal of Deliberative Democracy*, 8(2). <https://doi.org/10.16997/jdd.148>

Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill building approach* (7th ed.). Wiley.

Shah, A. A. (2007). *Participatory budgeting*. World Bank Publications.

Shim, J. K., Siegel, J. G., & Shim, A., I. (2012). *Budgeting basics and beyond* (4th ed.). Wiley.

The Institute of Chartered Accountants in Malawi. (2014). *Costing and budgetary control*. The Institute of Chartered Accountants in Malawi Publication.

UN-Habitat. (2007). *Participatory budgeting in Africa: Concepts and principles* (Vol. 1).

Wagner, J., Petera, P., Popesko, B., Novák, P., & Šafr, K. (2021). The usefulness of the budget: The mediating effect of participative budgeting and budget-based evaluation and rewarding. *Baltic Journal of Management*, 16(4), 602–620. <https://doi.org/10.1108/bjm-02-2020-0049>

Wangari, P. M., & Muturi, W. (2017). Effects of financial management practices on the financial performance of public universities in Kenya. *International Journal of Social Sciences and Information Technology*, 3(3), 2354–2363. <https://www.ijssit.com/main/wp-content/uploads/2017/10/Effects-Of-Financial-Management-Practices-On-Financial-Performance-Of-Public-Universities-In-Kenya.pdf>

Wen, T. Y., Ong, T. S., & Muhamad, H. B. (2022). Organizational cultures, budget participation and performance: An empirical study of Chinese public universities. *Central European Management Journal*, 31(2), 84–93. <https://doi.org/10.57030/23364890.cemj.31.2.10>

Wildavsky, A. B. (1964). *The politics of the budgetary process*. Little, Brown