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Effect of Budgetary Control on Financial Performance of Selected Commercial Banks in Kenya

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Abstract: *The successful provision of basic banking products and services must not be devoid of an effective budget control system, if the organizational goals and objectives are to be achieved. A detailed review of past studies shows that they were carried out either on a different context or interrogated different conceptual issues. In addition, some of the past empirical studies focused on different research methodologies and adopted different data collection instruments. The purpose of this study was to establish the effect of budgetary control on financial performance of selected commercial banks in Kenya. The study specifically sought to establish the effect of budget planning, budget implementation, budget control and budget review on financial performance of selected commercial banks in Kenya. The study adopted a cross sectional descriptive design and the target population was the employees in credit, accounting/finance and operations departments in three selected commercial banks. Both secondary and primary data was used and analyzed using trend analysis, multiple regression analysis and descriptive analysis. The study results indicated that budgetary planning has a positive and significant effect on financial performance (P = 0.000). In addition, the study found that budget implementation was found to have positive and significant effect on financial performance (P= 0.000). Further, budget control had a positive and significant effect on financial performance (P = 0.021). Also, the study found that budget review was also found to have positive and significant effect on financial performance (P= 0.001). The study found that budget planning had the most significant effect on financial performance of selected commercial banks in Kenya followed by budget implementation, budget review and budget control. The study recommends that the managers of the banks should review their current performance yearly targets, work on threats and opportunities and analyses the success and failure of previous plans so as to improve on their budgetary planning. Further, the managers in commercial banks should establish more budgeting centers, employ more budget officers and provide budget manual in order to improve on their budgetary control. In addition, they should solicit feedback, review budget conference for accuracy and arrange for catering and other vendors so as to improve on the budget conference.*

Key Words: *Budget Planning, Budget Implementation, Budget Control, Budget Review, Financial Performance.*

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I. Introduction and background

In Kenya, there has underperformance of commercial banks over the last five years. Several amendments have been made in the banking sector since the early 90's with an aim of maximizing performance, ensuring financial availability, financial stability and efficiency. Nevertheless, the banks have been recording inconsistent average profit before tax. From 2009 to 2013, the average increase in profit before tax has always been below 20 percent. This is not remarkable given that several amendments have been implemented with an aim of improving the performance of the lending sector (Onduso, 2013).

Budgeting is very essential regulating the day to day operations of any business (Pimpong & Laryea, 2016). It is a framework for ensuring achievement of programmes concerned with business goal and objectives, under a given time period, by use of specific availed resources. The budget outlines the available resources as well as the future required resources (Smith & Lynch, 2004). The budget framework incorporates firm activities that are essential to the wellbeing of the organization (Koech, 2015). The components of the framework include budget control, budget planning, budget implementation and budget review. According to Cook (2008), budgetary control involves continuous planning and control after which the relevant information on the real results is passed to managers for comparison purposes against the planned budget. A developed and broad system of budget control is increasingly being recognized by many organizations as it ensures minimal differences between the planned budget and the outcome as well as increasing firm efficiency and reducing cost (Alesina & Perotti, 1996).

The banking sector in Kenya operates in a relatively deregulated environment governed by the companies' Act, the Banking Act, the CBK Act and the various prudential guidelines issued by the CBK. In Kenya, there are a total of 42 banks which are all for the same market share (CBK, 2017). Before 1983, the formal banking system in the country was dominated by state owned banks that had a monopoly in terms of their spread and operations. With the passage of the universal banking law however, all types of banking can be conducted under a single corporate banking entity and this greatly reorganises the competitive scopes of several banking products in Kenya (CBK, 2017). Thus, reforms and deregulation has brought the banking sector into the competitive arena in terms of customers and products.With budgetary control systems being at the center of increasing organizational efficiency and controlling costs, then the need to examine the role of the system in organization's financial performance is of paramount importance.

II. Research problem

Budgeting facilitates the primary function of banks, in their capacity as agents that facilitates financial intermediation and the performance of core banking roles (Koech, 2015). Budgeting together with performance administration are important financial activities in the banking sector. How to advance the firms' performance is the concern for every manager. The successful provision of basic banking products and services must not be devoid of an effective budget control system, if the organizational goals and objectives are to be achieved (Mabrouk & Mamoghli, 2010). Despite the significance of budget control system, there remains limited empirical evidence on the effect of the same on financial performance specifically in the context of commercial banking. This study sought to address the same.

Substantial empirical evidence exists on budgetary control and performance. Akintoye (2008) examined the relationship between budget and budgetary control and performance of selected food and beverages companies in Nigeria and established that a significant relationship between budget and budgetary control and performance. Pimpong and Laryea (2016) studied budgeting and its impact on financial performance of non-bank financial institutions in Ghana and found a positive relationship between budgeting and financial performance. In Kenya, several studies have been done on budgetary control and performance of commercial banks in Kenya (Koech, 2015; Onduso, 2013; Munene, 2010; Kipkemboi, 2013). Koech (2015) studied budgetary control and its effect on performance of companies listed on NSE and found that budgetary control has an impact on firm performance. Despite these findings, it is not obvious that such a relationship exists in the commercial banking sector hence the need for the current study. Onduso (2013) assed the influence of budgeting on firm performance in Nairobi, Kenya and found that budgeting and management influenced performance. Nevertheless, the study was done on manufacturing firms therefore the findings cannot be generalized on commercial banks. Hence in view of the gaps identified in these studies, there remains scanty empirical evidence on the link between budgetary control and performance hence the motivation of this study.

III. Specific Objectives

The study sought to achieve the following specific objectives:

i. To establish the effect of budget planning on financial performance of selected commercial banks in Kenya.
ii. To determine the effect of budget implementation on financial performance of selected commercial banks in Kenya.
iii. To find out the effect of budget control on financial performance of selected commercial banks in Kenya.
iv. To evaluate the effect of budget review on financial performance of selected commercial banks in Kenya.

***The study formulated and tested hypotheses (for each specific objective) at 0.05 significance level.**

IV. Significance of the Study

The study findings contribute to theory building especially budgeting theories and performance theories. The study findings inform policy with regard to bank management and regulation in Kenya. This is concerned to controlling those aspects negatively affecting the performance of financial entities. The research and its findings are of great importance to the management of the banking sector in Kenya. Furthermore, the management of other micro financial firms can adopt the study findings in management of their firms. The government finds the information useful in diagnosing the problems affecting the banking sector and come up with regulative solutions. The study findings will also help other researchers as well academicians in their investigations and further research concerned with this topic. Scholars in the field of financial management can use the information to understand the budgeting issues in banking sector. They can use the information as a reference point to research on the budgeting formulation and budgeting improvements in other industries.

V. Review of Literature

a. Theoretical review

The study was anchored on four theories: financial accessibility theory, goal setting theory, financial intermediation theory and efficiency structure theory. Financial accessibility theory focuses on the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost, in a fair and transparent manner, by mainstream institutional players (Emmanuel & Otley, 2005). This theory is relevant to this study because it focuses on inclusive financial sector that provides 'access' to credit for all 'bankable' people and firms. This refers to commercial banks whose main business is credit facilities; good budgetary control lead to better provision of credit hence more financial accessibility and in turn better performance for the banks. Goal setting theory shows that precise targets increase the level of performance as compared to low targets such as the call to "do ones best". A budget helps in setting organizations goals for a specific period. Budgets should be challenging, simple to accomplish budgets do not motivate staff to perform. Setting high goals sets the bar high, hence obtaining self-satisfaction. Achieving goals makes one have a keen sense of effectiveness. Accomplishing goals also increases organizational obligation hence affecting the staff retention behavior, failure to accomplish goals has a negative impact on sales. It also increases bond between high targets and performance (Grant & Cavanagh, 2007).

Financial Intermediation Theory indicates that financial intermediaries are explained through two aspects: ability to provide liquidity and the ability to change the risk feature of assets. In the two cases, financial intermediation is concerned with minimizing the cost of transactions between lenders and borrowers which in turn leads to efficiency in resource allocation. This theory is applicable in this study because it focuses on existence of financial intermediaries that assist the efficient functioning of markets; good budgetary control lead to better engagement of intermediaries' hence better performance for the banks (Freedman & Perry, 2010).

Efficiency structure theory (ES) suggests that enhanced managerial and scale efficiency leads to higher concentration and then to higher profitability. From this theory, it is possible to conclude that bank performance is also influenced by both internal factors. The internal factors include money transfer services efficiency among others. The efficiency structure hypothesis is the proposition that more efficient companies are better compete, develop and grow in scale, thus resulting in an increase in the degree of market concentration. The theory is relevant to this study because it focuses on enhanced management and efficiency which is related to budgetary control; and further links them to higher profitability which is related to financial performance.

b. Empirical Review

Ghimire and Abo (2013) researched on budgetary control and performance of Ivorian SMEs. Data collection was done from SMEs operators in both urban and rural areas. The study deployed descriptive survey design. Moreover, structured questionnaires were deployed. The research showed that budgetary control influenced the performance of SMEs. The study results further revealed that the key factors affecting SMEs performance were lack of enough budgeting skills and information asymmetry. Nevertheless the research was on SMEs and not on banking sector which is a research gap to be filled by the current study. Gachanja, Etyang and Wawire (2008) studied budgeting as a factor of productivity change in the manufacturing industry in Kenya. Study findings revealed that from 2001 to 2005 the industry recorded a negative growth in productivity. Nevertheless, the study findings failed to reveal whether the negative growth was as result of budgeting controls or market competence or performance of the intermediary. The study found that budgeting indeed influenced productivity through other factors or intermediaries. Nevertheless, the study was concerned with productivity and not performance; a gap the current study sought to fill.

Ambetsa (1998) investigated the impact of budgeting practices on the performance of commercial airlines at Wilson Airport, Nairobi. Study findings revealed that the poor performance was as a result of poor cooperation in budgeting process, lack of top management support, and inadequate skills on budget evaluations. It was further revealed that business performance in airline sector was planned implemented and evaluated by use of budget. According to the research it was concluded that all businesses perform planning by use of budgets. The budgeting is formal and systematic in some businesses while in others it is informal. Generally all enterprises have some budgeting control processes. Therefore the key concern was how to prepare an effective budget. Muthoni (2016) researched on the influence of budgeting on SMEs credit accessibility and performance in Nairobi, Kenya. The research purposed to reveal the relationship between the variables. The research was mainly concerned with imperfect information theory. The research relied on secondary data source from financial records of enterprises as from 2008 to 2012. Descriptive survey design was deployed. Results showed that budgeting had a significant influence on credit accessibility and return on investments for SMEs. Nevertheless the study depended on secondary data and also was done on SMEs and not on commercial banks. This is a research gap which needs to be filled by the study.

Abdullahi and Angua (2012) investigated budgeting control and its impact on performance of small industries in Nigeria. The research targeted on 16 small industries in Nigeria. The research deployed descriptive survey design Simple random sampling was deployed for selection eighty entrepreneurs in these industries. Study findings revealed that budgeting influenced performance of SMEs in Nigeria. However, the research only focused on Small industries that were within the town location; this is a gap that needs to be filled by the current study. Muhura (2012) studied budgeting capabilities and the performance of Airtel Kenya. The research used descriptive research design. Results showed that budgeting capability influenced company's performance. The study findings further revealed that the telecommunication company performed better because of good budgeting in the field of human resource, physical infrastructure and distribution of network. Through budgeting the company was able to incorporate innovation, market research and manpower development. Nevertheless, the research was only concerned with Airtel Kenya and not a commercial bank; this is a research gap that needs to be filled by the current study.

Lilly and Juma (2014) investigated strategic capabilities and its impact on performance of public universities. The study used semi-structured questionnaire and used a descriptive research design. The research concluded that budgeting as a capability positively affects performance of public universities. However, the research only focused on different conceptual concepts and only discussed budgeting as a capability. Moreover, the study focused on public universities and not commercial banks; another gap the current study sought to fill. Gachithi (2010) researched on the challenges of implementing budgets in public institutions. Results of the study showed that budgets are important in predicting the future of an organization hence good for planning, controlling and communicating the performance to all departments of the organization. Nevertheless, findings revealed that budgeting is not the key motivator for good performance of employees. Study findings further revealed that inadequate allocation of funds in the departments was the key challenge hindering implementation of budgets in public organizations.

VI. Methodology

Cross sectional descriptive design was used in this study and the target population was staff in credit, finance and operations departments in the three selected commercial banks: KCB Limited, Equity Bank Limited and Cooperative Bank Limited. The study used purposive sampling in the selection of a sample size of 33 respondents in the credit, finance and operations department to participate in the study. The study obtained secondary data through a data collection form that indicated the performance of the selected banks. However, the research used semi- structured questionnaires in the collection of primary data. The questionnaire incorporated both open-ended and closed ended questions.

Data analysis process involved data clean up, data editing and data coding. The study deployed descriptive statistics which comprises of means together with standard deviation .The study further used multiple regression analysis. The study deployed frequency tables, percentages and means for presentation of data during data analysis. Statistical Package for Social Science (SPSS) program version 21 was used to analyze data. The relationship between the dependent variable (Y) and the independent variable (X) was tested using multiple linear regression model as shown below.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where: Y = Financial Performance; B_0 = Intercept; X_1 = Budget planning; X_2 = Budget implementation; X_3 = Budget control; X_4 = Budget review; β_1-β_4 = Coefficients; ε = Error term.

VII. Results and Findings

Out of the 33 questionnaires that were disseminated, 32 were duly filled and returned to the researcher on time. This provided a response rate of 96.96%. According to Kothari (2009) a response rate that is above 75% is considered as excellent response rate. Thus, the response rate of this study was within the acceptable limit for data analysis.

a. Descriptive Statistics

1. Budgetary Planning

The results indicated that there was discussion between the management and subordinate staff of the three selected banks in the goals to be met. In addition, the selected commercial banks were preparing budgets to improve on their operational efficiency. In regard to the frequency of budget preparation, the study found that most of budget preparations in the banks studied were conducted on annual basis followed by quarterly and monthly basis respectively.

A shown in Table 1, the staff strongly agreed that program activities were clearly indicated. Moreover, they strongly agreed that they have clear target results in the budget. In addition, they agreed that they identified high priority programs to be included in the budget. They also agreed that they discussed targets to be met with their team members. Further, they agreed that programs and plans were the basis for allocating funds. Furthermore, the staff agreed that planning guided their operations as far as resource allocation was concerned.

Table 1: Influence of Budgetary Planning

	Mean	Std. Deviation
Program activities are clearly indicated	4.843	.368
We have clear target results in the budget	4.625	.659
We discuss targets to be met with my team.	4.000	.567
We identify high priority programs to include in the budget	4.062	.504
Programs and plans are the basis for allocating financial resources	4.000	.762
Planning helps us to know the type and level of resources to provide.	3.906	.530

2. Budget Implementation

The results indicated that the three commercial banks failed to outsource consultation services to improve on their budget implementation. In addition, credit, accounting/finance and operations departments prepared a budget prior to overall budget. Further, the results indicate that most of the staff operating from the three selected banks were not involved in the budget implementation. This implied the three commercial banks failed to consider the aspect of staff participation as a key management function. Further, the staff revealed that, financial targets of the three commercial banks were setup in the budget. This is an indication that setting financial target had significant effect on financial performance of the three selected commercial banks. Also, more than half of the staffs in the working in the three selected banks were aware of their responsibilities in each department while the rest were not conversant. This implied that most of the employees in the three selected commercial banks were aware of their responsibilities in each department.

Table 3: Budget Implementation

	Yes	No	Not sure
Outsourcing of Services	9.4	62.5	28.1
Preparation of Budget Prior to Overall Budget	90.6	0.0	9.4
Involvement in Budget Preparation	18.8	8.1	0.0
Setting up of Financial Target in the Budget	75.0	25.0	0.0
Awareness of Staff’s Responsibilities in Each Department	59.4	40.6	0.0

3. Budget Control

The results indicate that budgetary control contributes positively to the performance of the banks. In addition, the study found that budgetary controls affect performance of the three banks. The results further indicated that budgetary control assists in the assessment of the level of performance this implied that the management of the three banks studied had implemented budgetary control as a way of improving on their financial performance. In addition the study found that budgeting affect performance evaluation of commercial banks. The findings agree with the findings of Koech (2015) budgeting affect performance of banks in Kenya.

Table 5: Budget Control

	Yes	No	Not Sure
Contribution of Budgetary Control to Banks’ Performance	46.9	53.1	0.0
Budgetary control help organization managers in evaluating the level of performance	75.0	0.0	25.0
Contribution of Budgeting on Performance Evaluation	46.9	53.1	0.0

4. Budget Review

The results showed that there was no system that was put in place for proper management with explanation of significant variation between budgeted and actual financial status. In addition, most of the commercial banks’ budgets failed to have performance indicators that can be used to assess the progress in meeting policy goals. Also, budgetary processes in the three selected commercial banks were conducted annually.

The staff in the three selected commercial banks agreed that top management organizes meetings for performance review. They also agreed that budget adjustments were done in the bank as need arises. Moreover, they agreed that continuous comparison of budgets and actual results were done. Further, they agreed that deviations are normally. Furthermore, they agreed that there was clear tracking of results in the banks.

Table 4: Effect of Budgetary Review

	Mean	Std. Deviation
Continuous comparison of budgets and actual results is done.	4.000	.622
Top management holds budget conferences to review performance.	4.468	.671
There is clear tracking of results in my company.	3.843	.807
Deviations are normally monitored.	3.968	.822
Budget adjustments are done in my company as need arises.	4.062	.564

Source: Research Data (2018)

5. Financial Performance

As depicted in Figure 1, in the year 2016, Kenya Commercial Bank Limited had the highest net income (28,482 million) compared to Equity Bank Limited and Cooperative Bank Limited. Comparative Bank Limited made the lowest net income (14,073 million) in the year 2015. The results also revealed that in spite of fluctuation in the net income of commercial banks, the Kenya Commercial Bank Limited had the highest net income from the period of 2014 to 2017 compared to Equity Bank Limited and Cooperative Bank. This implied that the Kenya Commercial Bank Limited generated the highest income (from the year 2014 to 2017) compared to other financial institutions.

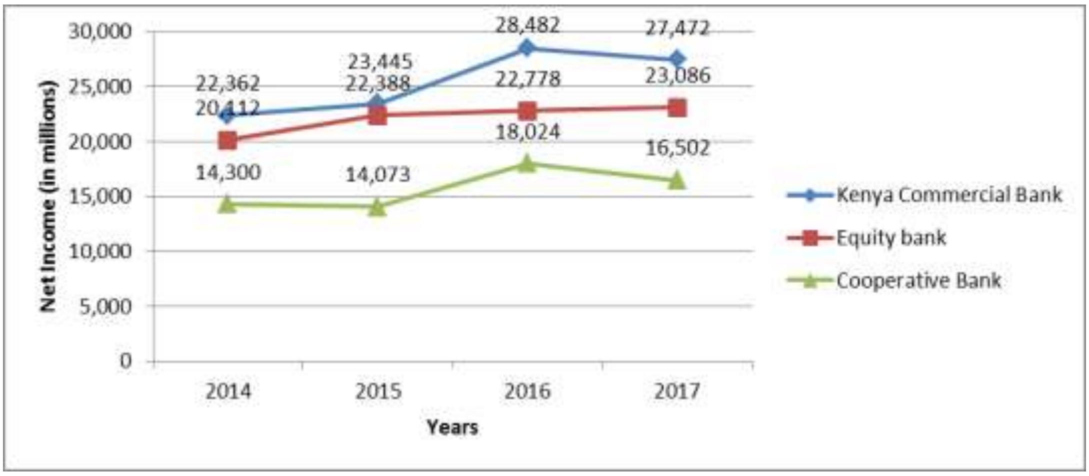

Figure 1: Trend of Net Income

According to the findings, as shown in Figure 2, Equity Bank Limited had the highest percentage of ROA (7.26%) compared to Cooperative Bank Limited and Kenya Commercial Banks during the financial year of 2014. The findings also show that Cooperative Bank Limited had the lowest percentage of ROA (4.14%) in the year 2015. Further, the results revealed that the ROA of Cooperative Bank Limited drastically declined by 2.28% in the year 2014 compared to other banks (Equity Bank Limited and Kenya Commercial Bank Limited).

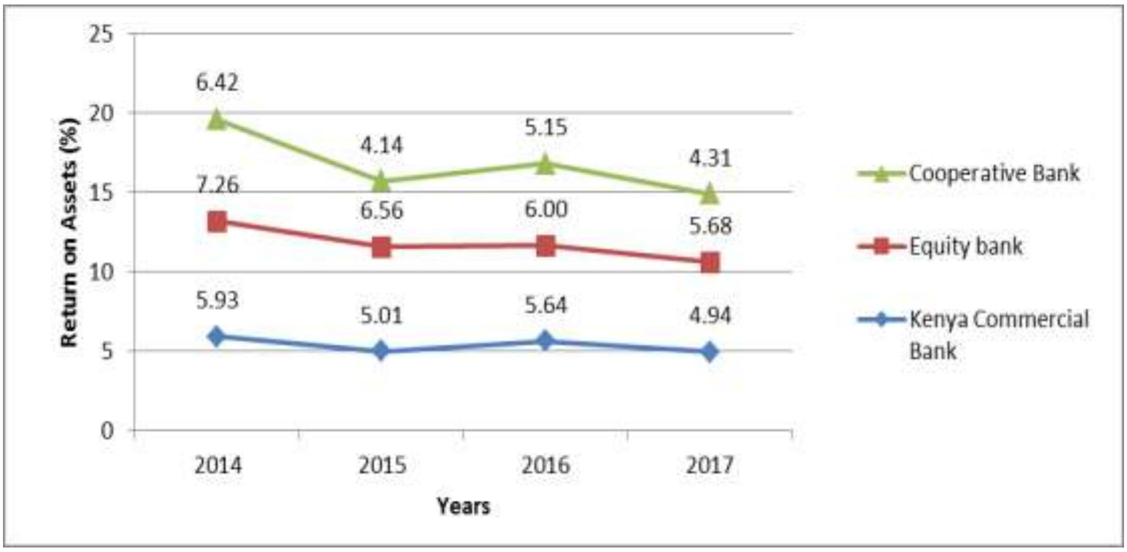

Figure 2: Trend of Return on Assets

The results revealed that the ROE of Equity Bank Limited drastically declined from the year 2014 to the year 2017. The Cooperative Bank Limited experienced the lowest ROE in the year 2015 compared to Kenya Commercial Bank Limited and Equity Bank Limited.

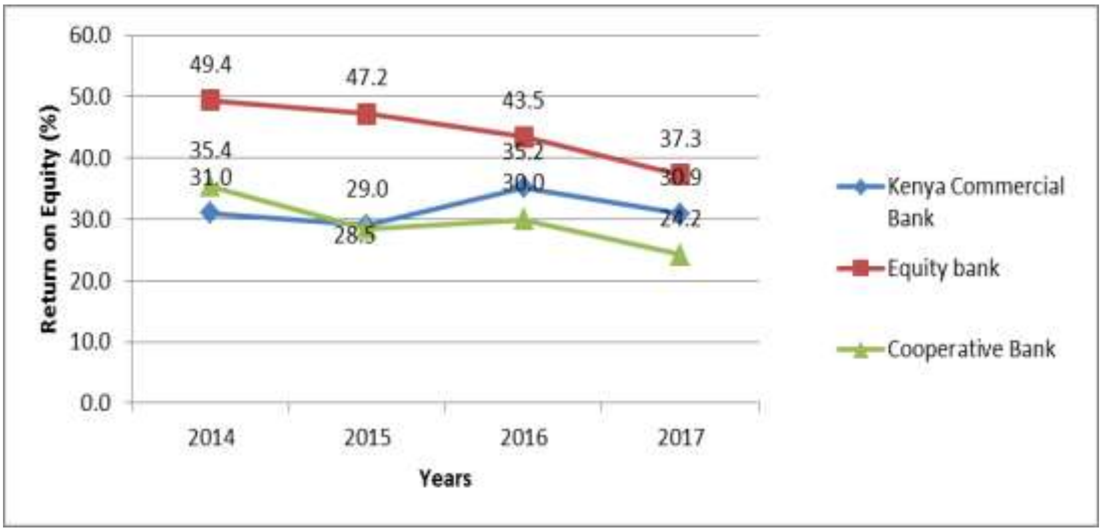

Figure 3: Trend Analysis of Return on Equity

b. Inferential Analysis

The study used multiple regression analysis to determine the relationship between independent (budget planning, budget implementation, budget control and budget review) and dependent variable (financial performance). The multiple regression models were as follows:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where: Y indicates financial performance, B_0 was a Constant, β_1- β_3 were Coefficients of determination, X_1 represents budget planning, X_2 represents budget implementation, X_3 represents budget control, X_4 budget review and ε symbolized Error term.

The R-square of 0.7499 indicate that the 74.99 per cent variation in the financial performance is explained by budget planning, budget implementation, budget control and budget review collectively.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866	.749956	.73434	.45513

Table 5 above indicates a strong positive correlation between budgetary control and financial performance of Commercial banks studied (R= 0.866). In addition, the coefficient of determination indicates that about 74.99 percent of changes in financial performance are explained by budgetary control.

Table 6 below indicates the overall goodness of fit.

Table 6: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	7.875	4	1.969	94.790	.000
1	Residual	.561	27	.021		
	Total	8.436	31			

In view of the p-value in the above table, the model overall was a good fit (p=0.000). Hence, budgetary control is a good measure of financial performance of the Commercial banks studied.

Table 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.509	0.180		2.822	0.000
Budgetary planning	0.816	0.203	0.798	4.020	0.000
Budget Implementation	0.624	0.202	0.611	3.089	0.000
Budget control	0.329	0.151	0.311	2.179	0.021
Budget review	0.457	0.192	0.437	2.380	0.001

The regression function is extracted from Table 7 above as shown below:

$$\mathbf{Y = 0.509 + 0.816X_1 + 0.624X_2 + 0.329X_3 + 0.457X_4 + \varepsilon}$$

As depicted in Table 7 above, budgetary planning positively affects performance of the three selected banks as shown by a regression coefficient of 0.816 (0.000). It was also found that budget implementation positively influences the performance of three selected commercial banks as shown by a regression coefficient of 0.624 (p-value=0.000). Moreover, the results indicate that budget control has a positive and significant effect on financial performance of the three selected banks as shown by regression coefficient of 0.329 (p value = 0.021). Further, the results revealed that budget review has positive significant effect on financial performance of three selected commercial banks as shown by regression coefficient of 0.427 (p-value=0.001).

VIII. Discussion of the Findings

The study found that budgetary planning positively affects performance of the three selected banks. These findings agree with Gachanja, Etyang and Wawire (2008) argument that budgetary planning has a positive effect on financial performance. The study found that most of budget preparations were conducted on annual basis followed by quarterly and monthly basis respectively. The findings agree with Kipkemboi (2013) findings that most financial institutions prepare their budget annually.

The study found that budget implementation positively influences the performance of three selected commercial banks. In addition, the study found that credit, accounting/finance and operations departments prepared a budget prior to overall budget. The results are in line with the finding of Muhura (2012) that various departments in financial institutions in Kenya prepare a temporary budget prior to overall budget.

Moreover, the study found that budget control has a positive and significant effect on financial performance of the three selected banks. These findings agree with Ghimire and Abo (2013) results that budget control affects the performance in the selected banks. The study also found that budgetary control positively affects the performance of banks in Kenya. The results are in line with those of Pimpong and Laryea (2016) that budgetary control comprises of essential management systems and internal control systems which are essential to the planning and control processes which are key functions of managers in all firms. Turyakira (2004) indicates that successful implementation of budgetary controls leads to realization of organizational goals, through doing this organization achieves its level of performance.

Further, the results revealed that budget review has positive significant effect on financial performance of three selected commercial banks. These results are in line with Muthoni (2016) findings that budget review positively affects financial performance in banks. These finding also agree with Muhura (2012) that performing an annual budget review is a critical way to gain insights into the true cost of expenses as well as spending behaviors. However, Kipkemboi (2013) indicates that if the process of budget review and approval does not remove budget slack, it may affect the budget's effectiveness in both the planning and the motivation roles.

IX. Conclusion and Recommendation

The study concludes that in the banks under investigation budgetary planning entailed setting of clear financial targets, prioritized programs to be included in budget and discussion with team members thus leading to better financial performance. In addition, the study concludes that the commercial banks studied implemented their budgets and this led to improvement in their performance. Also, the study concludes that commercial banks extensively invested on budget control as an important management function and this led to better performance. Further, the study concludes that the management of the banks studied frequently reviewed their budget through holding conferences and monitoring on their expenditure and making necessary adjustment leading to improvement in their financial performance.

The study recommends that the managers of the banks should review their current performance yearly targets, work on threats and opportunities and analyses the success and failure of previous plans so as to improve on their budgetary planning. Further, the managers of the banks should establish more budgeting centers, employ more budget officers and provide budget manual in order to improve on their budgetary control. Also, the management of the banks should offer free tutorial training programmes, seminars and scholarship opportunities so as to improve on awareness on the implementation process. In addition, the managers of the banks should solicit feedback, review budget conference for accuracy and arrange for catering and other vendors so as to improve on the budget conference. The study also recommends that the Central Bank of Kenya should formulating training policies, address operational efficiency and performance issues so as to improve on the financial performance of the selected banks.

Contribution to Knowledge

The current study contributes to the knowledge body by providing information that can be used in identifying research gaps and empirical review**.** The study also adds information to the body knowledge regarding the effect of budgetary control on financial performance of commercial banks in Kenya. In relation to finance practice, the study provides information on how budgetary control in terms of budget planning, budget implementation and budget review affects the performance of commercial banks.

Areas for Further Studies

The general objective of this study was to establish the effect of budgetary planning and control on the performance of selected banks in Kenya. This study only focused on three selected commercial banks in Kenya. Therefore, the study suggests that further studies should be conducted in other financial entities both in Kenya and other part of the world. Moreover, the results also revealed that 74.99% of the variation in the dependent variable could be explained by the independent variables of this study (budget planning, budget implementation, budget control and budget review). Hence, the study recommends that further study should be done on other factors affecting financial performance of commercial banks.

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