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INFLUENCE OF BUDGET RESOURCES ON THE PERFORMANCE OF NOT-FOR-PROFIT MAKING ORGANIZATION, A CASE OF BRO ANDRE HOSPITAL LTD.

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ABSTRACT

There are various factors that influence the results or performance of an organization. One of the factors is the availability of budget resources to an organization. The purpose of the study was to investigate influence of budget resources on the performance of not for profit making organization, a case of Bro Andre Hospital ltd. The hospital is fully owned by the Holy Cross Mission Catholic Church of USA. The hospital operates as a non-profit organization and deficit arising from her operations is funded by well-wishers. The study was anchored on the following theory; budget incremental theory. The research was a descriptive research design which is suitable because it uses smaller samples for an in-depth analysis of a larger population. Census sampling method was used in the study. The target population for the study was 77 staff members. 77 staff members were respondents from the organization's Medical program, Finance, and Human Resource and Information technology departments. A self-administered questionnaire was distributed to respondents. The results of the findings were analyzed aided by use of STATA which generated descriptive statistics such as mean, standard deviation and inferential statistics like regression, multiple regressions among others. The data was presented in tables. The responses of the respondents to all of the questions about the influence of budget resources on performance showed that they had a moderate perspective on the budget resources at the hospital, as shown by the relative mean. The results show that the majority of the respondents are of the opinion that the availability of financial resources determines which goals are to be pursued by the organization. From the findings, the study concluded that availability of financial resources ensured allocation of sufficient budget, influence effective budget planning, ensured equity in distribution of resource in budgeting.

Keywords: *Budget Resources, Financial Resources, Human Resources, Performance, Not for Profit Making Organization*

INTRODUCTION

Budgeting in non-governmental organizations is used as a planning tool. Organizations use a budget as a guiding tool of its activities. According to Goldstein (2005), a budget is used by

institutions in setting priorities by allocating scarce resources to those activities that are most important to the organization. The annual budget is commonly referred to as the master budget and has three principle parts namely the operating budget, cash budget and the capital budget.
According to the state of Nebraska (2015), the management of the budget is one of the most important factors in determining the success of a business enterprise. Efficient budgets should have the following characteristics: they should be realistic, aligned with corporate goals, cost effective, and adaptable. An effective budget must also be detailed, quantifiable, achievable, practical, and time-bound (SMART). In actuality, budgets are seldom handled successfully on a daily basis. These situations might arise for a variety of valid causes, such as policy revisions, mismanagement, a bad financial procedure, illegal spending, inefficiency, or fraud.
As part of their research, Libby and Lindsay (2010) interviewed executives from India companies to learn about their current budget processes, analyze modern budgeting critiques, and identify trends in budget practices, which included elements of planning. A researcher in Nigeria, on the implementation process of a budget experiences a lot of inconsistencies due to lack of compliance with the laid down budget. It therefore follows that there arises a major challenge of not meeting the corporate objective of the budget. The over or under spending of the corporation leads to underperformance of the corporation. Thus budgetary control is necessary to ensure that the laid down budget is adhered to (Esuku, 2003). The changes to state budget processes will likely reflect a growing need to establish clear linkages between funding levels and program results. The improvement in performance of a company cannot be always equated to total growth in budget spending.
According to the NGO coordination board (2012), there were around 8,374 non-governmental organizations (NGOs) functioning in Kenya at the time. Kshs. 100 billion was provided to the Kenyan economy by the industry in 2012 alone. Kenya now has a large number of national, regional, and international non-governmental organizations (NGOs) (Wangechi 2016). Not for profit organizations (NFO) are similar to non-profit organizations (NGOs) in that they are formed for reasons other than profit generation and in which no portion of the organization's revenue is transferred to its members, directors, or officials.
Brother Andre Hospital is run by a management team that reports to the Board of Governors ultimately reporting to the Trustees. The Partners and Donors presence is incorporated at the Board level as their input ensures funding for the affordable quality service delivery at the Hospital to the Community. The hospital offers both inpatient and outpatient services to the community of Dandora and its environment. The Facility has a total of 45 beds. The hospital has a staff of 77 comprising of Administrative, Clinical and Support Staff. There are several consultants for the various Specialist Clinics services offered. Bro Andre Hospital is NHIF accredited and this insurance covers both inpatient and outpatient services. The hospital operates as a non-profit organization and deficit arising from her operations is funded by well-wishers.

Problem Statement

Financial organizations in the corporate world ensure that annual preparations of budgets are done for the smooth running of all its activities. There exists a variety of challenges while carrying out budget implementation. Such challenges are for example over spending on items that are considered noncore or logistical such as mostly administrative expenses during budget implementation (Esuku, 2003). The challenges eat into the profits of the corporation and hence the management has been unable to meet their performance targets. The budgeting process has a direct link with the organization's performance or the proposed end outcomes of the organization. Organizations that are doing exceptionally well on the face of the planet depend largely on budgets and budgetary management procedures to increase performance by allocating sufficient resources to their operations.

Purpose of the Study

The general objective of the study was to investigate the influence of budget resources on the performance of not for profit making organization, a case of Bro Andre Hospital ltd.

Scope of the Study

The study was carried out at Bro Andre Hospital Ltd located in Dandora, Nairobi County. The hospital has been chosen as it is a non-profit organization. The study focused on factors influencing budget resources on performance of non-profit organizations. The study used budget incremental theory, to achieve the purpose of the study. The study was carried out from April 2022 and it is estimated to take 10 months. The study analyzed the data for the hospital for the years 2018 to 2021.

LITERATURE REVIEW

Budget incremental theory

Following the publications of (Wildavsky, 2017), there has been a rise in interest in the idea of incremental budgeting, sometimes known as incrementalism (Schick, 1983). Several definitions of incremental budgeting have been compiled by White (1994), including the following: Incrementalism is the concept of a budgeting procedure that uses the previous year's budget as a baseline, with explanation required only for new adjustments from the previous year's budget (Mikesell, 2013). Incremental theory is characterized in terms of gains in income and spending, and it is said that it is dependent on economic growth to be effective. Verne Lewis was the one who came up with the hypothesis. Budget produced using a prior period's budget or actual performance as a baseline, with incremental amounts added for the next budget period is referred to as a rolling budget. It decided how resources will be allocated depending on the allocations made in the preceding period. When using incremental budgeting, the majority of the increments come from economic development. The budget incremental theory technique begins with the expected amount for the current financial year or with the preliminary accounts of actual spending for the previous financial year, depending on which is most recent. Once that is done, little sums are added or withdrawn in order to meet budget increases or reductions for the next year. For over two decades, the incrementalism theory of budgeting has been the most widely accepted. Many researchers and participants see it as the most authoritative explanation of how the budget process works, as well as a prescription for how the process should be conducted in the future (Schick, 1983).

Conceptual framework

Using a conceptual framework is a diagrammatic research technique that aids the researcher in acquiring an understanding and awareness of the issue at hand. Researchers often use conceptual frameworks as an aid in identifying potential research directions and laying out their preferred method of approaching a given problem.

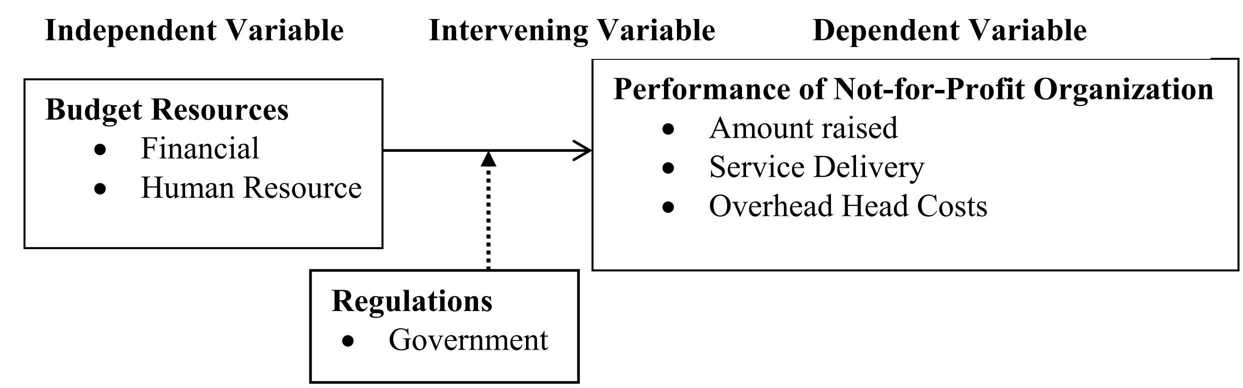

Figure 1: Conceptual Framework

METHODOLOGY

Descriptive research design was the best method for conducting this study since they are small enough to undertake an in-depth examination of the wider population being examined. It's also preferable to use a descriptive design rather than an inferential one since it describes and explains rather than predicts. The study included 77 members of the Brother Andre Hospital personnel who were either directly or indirectly involved in budgeting and planning. They were drawn from the hospital's numerous departments.The researcher conducted a census by using the entire population because it is appropriate for the study. Data from both primary and secondary sources were used. Data from the primary was gathered using a semi-structured questionnaire. The data was analyzed using STATA, which is a statistical program. Descriptive statistics like the mean and standard deviation will be generated using STATA in the analysis of the data. Data analysis made use of inferential statistics.

RESULTS

Response Rate

The calculated sample size was 77. Of the 77 questionnaires served to the respondents, the researcher managed to get back 69 questionnaires that were correctly filled, making a 90% response rate which the researcher found to be significant enough to assess the study variables.

Table 1: Response Rate

		Frequency	Percentage
N	Valid	69	90%
	Missing	8	10%
	Total	**77**	**100%**

Source: Research Data (2022)

A response rate of 90% was considered suitable for the research. This questionnaire response rate decision was based on the study of Babbie (2007) who suggested that a fifty percent return rate was good enough for any data analysis but 70 % and above was termed as very good response. Therefore, the researcher resolved that this was an excellent return rate good enough to carry out the analysis. This was achieved since the sample population was not big and also since the respondents were work in the same premises of the researcher and hence making data collection easier.

Descriptive Statistics

The information was collected on a five-point Likert scale. The data was analyzed through mean and standard deviation using a 5-point Likert scale which is as illustrated in table 2.

Table 2: Response on Effects of Budget Resources on Performance

Statements	Not at all	Very Little	Neutral	Large Extent	Very Large Extent	Mean	Std. Deviation
Financial resource has an impact on the outcome of the BAH mission	0%	6.3%	37.5%	47.5%	8.8%	3.5875	.74109
Financial resources determine which goals are to be pursued by the BAH	3.8%	22.5%	38.8%	30.0%	5.0%	3.1000	.93592
Human resource available affects the output of the BAH	2.5%	5.0%	51.2%	31.3%	10.0%	3.4125	.83732
Capacity of the human resource available affects the output of BAH	13.8%	8.8%	30.0%	35.0%	12.5%	3.2375	1.20383

Source: Research Data (2022)

From the results in table 2, on the issue of whether the Financial resource has an impact on the outcome of the BAH mission the majority of the respondents 47.5% were of the opinion that it did so to a large extent, this was represented by a mean of 3.5875 and a standard deviation of 0.74109, when asked whether human resource availability affects the output of the BAH, majority of the respondents 51.2% were of the opinion that it had been so to a moderate extent, this was represented by a mean of 3.4125 and a standard deviation of 0.83732.

The respondents were asked if Capacity of the human resource available affects the output of BAH, 35.0% of the respondents being the majority agreed to a large extent that this was being done; this was ascertained by a mean of 3.2375 and a standard deviation of 1.20383. On whether the Financial resources determined which goals are to be pursued by the BAH the majority of the respondents 38.8% were of the opinion that it did so to a moderate extent, this was as represented by a mean of 3.1 and a standard deviation of 0.93592.

From the results in table above, the respondents had a relative mean across all the questions on response on effects of budget resources on performance showing they had a moderate view on the budget resources at the hospital. This implied that budget resources impact positively on financial performance of the organizations. These findings concurred with Kelly, (2003) who found that budgetary adequacy was important for the achievement of the objectives of the organization which influence various objectives of the anticipated to be achieved require sufficient resources for the anticipated performance to be achieved.

Correlations Analysis

Table 3: Correlation of the study variables

		Budget Resources	Budget Goals	Historical Data
Budget Resources	Pearson Correlation	1		
	Sig. (2-tailed)	0.02		
	N	77		
Financial Resources	Pearson Correlation	.768*)	1	
	Sig. (2-tailed)	.001		
	N	77	77	
Human Resource	Pearson Correlation	.0.835(*)	.590(*)	1
	Sig. (2-tailed)	.001	.007	

	N	77	77	77
Performance	Pearson Correlation	.839(*)	.580(*)	430
	Sig. (2-tailed)	.002	.037	.003
	N	77	77	77

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Source: Research Data (2022)

The study conducted a Pearson Correlation analysis for all the study variables.

The strength of association between budget Resources and performance was strong and positive having scored a correlation coefficient of 0.839 and a 95% precision level. The correlation was statistically significant since it had a P- Value <0.05 at 0.002 hence statistically significant.

The study also established that there also existed a strong and positive correlation between financial resources and performance at BAH with a correlation coefficient of.0.768 and a significance level of 0.01. This correlation was statistically significant since its P- Value was less than 0.005 at 0.001. There was a significant positive relationship between Budgetary Goals and perceived financial performance (r = 0.519**, P-Value<0.01

The strength of association human resource and performance at the organization was strong and positive having scored a correlation coefficient of 0.835 with a P-Value of 0.01 and a 95% confidence level. The correlation was statistically significant since it had a P- Value of less than 0.005 and therefore statistically significant.

Regression Analysis

The study sought to establish the influence of budget resources, Financial Resources and Human Resourceon the performance of not for profit making organization. The model inferential statistics are summarized below in the tables; 4, 5and 6.

Table 4: Regression Model Summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	Durbin-Watson
1	.708[a]	.501	.474	.36373	2.081

a. Predictors: (Constant), Budget Resources, Financial Resources , Human Resource
b. Dependent Variable: Organizational Performance
Source: Research Data 2022

From the table, R is the square root of R-Squared and is the correlation between the observed and predicted values of dependent variable implying that the association of 0.708 between budget implementation and performance of BAH. Adjusted R^2 is called the coefficient of determination which indicates how the organization's performance varies with variation in Budget Resources, financial resources and Human Resource.

From the analysis of variance, we find that the regression model is significant given the result of the p-value is 0.000 which is less than 0.05. An R Square of 0.501 was also recorded which indicated that a 50.1% influence on organizational performance is observed by a change in Budget Resources, financial resources and human resource. We also observe that Budget Resources don't specifically and individually significantly affect organizational performance while financial resources and human resource do have a significant effect on organization performance. In order to establish the relationship between the dependent variable and the independent variables, the dependent variable (Organizational Performance) was regressed against the independent variables (Budget Resources, Financial Resources, Human Resource) simultaneously. The analysis was undertaken at 95% confident level.

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.430	3	2.477	18.719	.000b
	Residual	7.409	56	.132		
	Total	14.838	59			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Budget Resources, Financial Resources , Human Resource

Source: Research Data 2022

The Total variance (14.838) was the difference into the variance which can be explained by the independent variables (Model) and the variance which was not explained by the independent variables (Error). The strength of variation of the predictor values influences the performance in the organization at 0.00 significant levels. From the study, the mean of the dependent variable differs significantly among the respondents. From the findings, the strength of variation of the predictor values of budget resources, financial resources and human resource influence performance in the organization as the analysis of variance indicated with P Value< 0.05 at 0.00

Table 6: Coefficients

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound
1 (Constant)	1.454	.339		4.293	.000	.776
Budget Resources	.036	.098	.046	.369	.713	-.159
Financial Resources	.394	.079	.546	4.994	.000	.236
Human Resource	.213	.108	.236	1.963	.055	-.004

Source: Research Data 2022

The criteria for comparing whether the predictor variables were significant in the model was done by relating the corresponding probability value obtained and α =0.05. If the probability value was less than α then the predictor variable was significant; otherwise it was not. Also, F – table statistic was compared with the one obtained from the regression analysis. If the one from the table was smaller than the computed value from the regression analysis, the variable was significant in predicting/causing a change on the dependent variable. Else, the variable was insignificant in the model. With the coefficient, the findings depict causation between Organizational Performance and budget resources, financial resources and human resource. However, since the P-Value result equal to 0.000; which is less than the accepted threshold of α =0.05, the findings reveal that the effect of changes in Budget Resources, Financial Resources and Human Resource on Organizational Performance is significant.

$Y = 1.454 + 0.036 X_1 + 0.394 X_2 + 0.213 X_3 + e$

The values, 0.036, 0.394and 0.213 were the unstandardized coefficients and indicate the extent to which budget implementation influence performance in the corporation.

The first variable constant of 0.768 represented the constant which predicted value of corporation performance holding the implementation of budget in the corporation Budget resources, Financial Resources and Human Resource constant (0).

The study concurred with Gonahasa (1994), who established that there existed statistically significant and positive relationship between budget implementations and perceived financial performance and that effective budgeting reflects good financial performance in organizations. The multi-regression resulted in a linear model as indicated below,

$Y = 1.454 + 0.036 X_1 + 0.394X_2 + 0.213 X_3 + e$

Where

X_1= Budget Resources

X_2= Financial Resources

X3= Human Resource

The study therefore established that there was a positive relationship between budget resource and performance of Brother Andre Hospital.

Conclusion

The study concluded that availability of financial resources ensured allocation of sufficient budget influence effective budget planning, ensured equity in distribution of resource in budgeting, and that the organization ensured all the functions were allocated adequate financial resources and that the organization implements regulation ensure standard fair distribution of the budget. The study also concluded that budget goals were effectively practices in the organization as employees were sensitized on the budget process, the organization starts with planning for its programmes, those programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the organization budgets emphasize outcomes.

Recommendations

From the findings, the study recommend institutions should ensure budget resource is effectively practiced in the organization by sensitization of employees on the budget process, planning for its programmes, ensuring programmes and plans were the basis for getting financial resources.

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