THE EFFECTS OF BUDGETARY CONTROL ON EFFECTIVENESS OF
NGOS IN GHANA

Author Details (optional)
Gladstone Stanley is currently Monitoring and Statistics Officer in Ghana Education Service, Ghana, PH - +233543029089. Email: gladstanley@gmail.com
Karim Philips is currently the President of Young Heart Foundation University, Country, PH- +233560698801. E-mail: dephil54@gmail.com

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ABSTRACT
This article focuses on how budgetary control can be used to ensure funds availability and cost reduction to promote organizational performance of the Non-Governmental Organizations in Ghana. It further examines the contributions of budgetary control in monitoring and evaluation of these organizations to achieve financial prudence and achievement of their objectives.

Introduction
Many Non-Governmental Organizations adopts budgetary control to keep track of their operation for successful service delivery. They have established Budget Units and ensure that budgeting and budgetary control plays a pivotal role in the organizations. Epstein and McFarlan (2011), concluded that, the effectiveness and efficiency of Non-Governmental Organization is dependent entirely on how the non-profit organizations apply budgeting and control principles in their day to day activities.

Due to this, this article seeks to assess the whether non-profit making organizations applies the budgeting and budgetary control in their operations and its effect on the success of their organizational performance.

Literature Review
Budgeting Theory
According to Silva and Jayamaha (2012), budget is a collection of plans, that estimates financial performance of and organization. It further identifies the obstacles in the future and how the organization will marshall its resources to address those challenges and achieves its goals and targets. It is an important tool for effective motoring and evaluation in the organization. There are alot of budgeting theories, but this article only discusses Budgetary Control Model and Accounting theory in Budgetary Control.
Robinson (2009), explained that this theory seeks to ensure that the organization put in the necessary mechanisms for judicious utilization of the resources available to achieve utmost desire of the organization. The major challenge in organizations is how to produce or render services to meet the taste and preference of the clients or customers. Due to this, non-profit organizations must control budget to ensure that output meets the plan.

The accounting theory helps the organization to keep to standard. According to Horvath and Seiter (2009), the monetary measurement concept in accounting helps in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget.

Some of the factors that determines effectiveness includes:

I. Availability of adequate human resources to implement the planned activities of the organizations. The existence of competent, knowledgeable and skilled workforce, guarantees the success of the organization. The workforce needs to be conversant with the budgeting and budgetary control to be able to implement the budgetary system;

II. Effectiveness strive in organization when there is adequate funds. To achieve an effective budget, there must be funds to implement projects and and finance day to day activities.

III. For effective budgeting, the staff and the stakeholders must be part of the processes involved in the preparation and the implementation. Each staff and the stakeholder must understand, own and understand their necessary roles to achieve effective budget. According to Simiyu (2002), participation assures fullco-operation and commitment for making budgets successful and realistics.

IV. There must be a fully coordinated plan in both finacial and qualitative terms. Dunk, et al, (2001), argues that budget formulation must be preceded by established policy for the subsequent trading year.

V. Evaluation is very key in ensuring effectiveness and transparency budget because it claries the extent of the evaluation base on the resources and time available to the organization. Honcock (2009), concluded that management team must be active in the processes and proceuces of monitoring and evaluation of budgetary control.

VI. Another important determinants of effectiveness is monitoring and control of budgetary process. As the plan is implemented, it has to be monitored and controlled to ensure that the actual projects and activities conform to the expected result. Otley and Van der Stede (2003), argued that planned budget can only convince and investors and donors unless there is proper monitoring and control of the budgeting process.

VII. The last determinant is staff motivation. According to Hansen, et al (2003), for effective budget implementation, the budget plan should be more clear and accurate, available and adequate fund, staff and stakeholders must be fully involved, staff preparing the budget must be adequately motivated to facilitate successful implementation of the budget process.

Data Analysis and Discussion of the Results
A desktop study was conducted to source information from both published and unpublished literatures on the topic and the dependent variable was measured using performance indicators from the recent annual reports. The linear regression model was used to test the determinants of effectiveness. In the running test, the relationship among the variables in the budgetary control were labled independent varables wiles the effectiveness of Non-Governmental Organizations were used as the dependent variables.

Intervals and ratio scales were used to measure all the variables achieve the desired result for the performance of the NGOs. While using the frequency at which the organizations execute budgetary
control, the independent variables were used to examine the extent to which NGOs in Ghana adopt control in their budgeting systems.

**Data Validity**

Internal consistency reliability was to measure the construct reliability; it produces homogenous items of measurement scale (DeVellis, 2003). The internal consistency reveals the interrelationship between the theories. Thus, if the extent to which the variables relates is high, then there is a stronger relationship and vice versa. The table 4.1 has shown that the relationship between the models is high; hence, there is a stronger relationship.

<table>
<thead>
<tr>
<th>Table 4.1: Summary of the measurement reliability (Cronbach’s alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>0.855</td>
</tr>
</tbody>
</table>

Source: Research Data

**Reliability Coefficient**

The internal consistency of the measurement scale is usually measured by Cronbach’s coefficient alpha and it is acceptable at above 0.50 to pave way for further analysis. Form the table above; all the scales are above 0.50 which shows that the scales are acceptable.

<table>
<thead>
<tr>
<th>Table 4.2: Reliability Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
</tr>
<tr>
<td>Planning</td>
</tr>
<tr>
<td>Monitoring and Control</td>
</tr>
<tr>
<td>Evaluation</td>
</tr>
<tr>
<td>Cost Reduction</td>
</tr>
</tbody>
</table>

Source: Research Data

**Correlation Analysis**

From the Pearson product-moment correlation coefficient in the table 5 below, reveals that there is a positive association between the indicators at a 0.05 significant level. This implies that, there is a strong relationship between the independent and the dependent variables.

<table>
<thead>
<tr>
<th>Table 4.4: Correlation Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
</tr>
<tr>
<td>1.0000</td>
</tr>
</tbody>
</table>

Source: Research Data

**Linear Regression Model**

Regression analysis was conducted for all the factors identified in the literature to be the determinants of effectiveness and the result presented in the table 4.5 shows that the correlation coefficient r=0.326, with
\( r^2 = 32.6\% \). This means all the factors such as planning, control, monitoring and evaluation, availability of adequate funds, maintaining minimal cost of production and good performance correlates positively with effectiveness. The result as presented in the table 4.6 shows that those factors the determines effectiveness are well checked and the results fits the data.

![Table 4.5: Model Summary](image)

Source: Research Data

### Table 4.5: Model Summary

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.578</td>
<td>0.326</td>
<td>0.264</td>
<td>1.76350</td>
</tr>
</tbody>
</table>

\( a. \) Predictors: (Constant), Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance  
\( b. \) Dependent Variable: organizational effectiveness

Source: Research Data

### Table 4.6: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Regression</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total</td>
<td>5.628</td>
<td>36</td>
<td>.177</td>
<td>.678</td>
<td>.0025</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>5.102</td>
<td>30</td>
<td>.123</td>
<td>677</td>
<td>.0025</td>
</tr>
</tbody>
</table>

\( a. \) Predictors: (Constant), Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance  
\( b. \) Dependent Variable: organizational effectiveness

Source: Research Data

### Regression Coefficients

The result of the regression coefficient analysis as shown in the table 4.7 implies that the hypothesis of the populated values is acceptable. Assuming at the test of 0.05, the F value was higher than the significant level, the independent variable would not be explained and the null hypothesis of the populated value 0 must be accepted because it is less than the significant level.

![Table 4.7: Regression Coefficients](image)

Source: Research Data
Conclusion

The study proves that most of the non-profit organizations in Ghana recognize the importance of budgeting and establish well-resourced budgeting unit in their organizations for effective monitoring and evaluation of their operations. This has helped the NGOs to score about 71.11% in the performance indicators of the organization. The existence of the budgeting unit in their organizations has help them to achieve the 30% administration cost and 70% program costs.

It was recommended that employees should be sensitized on how the importance of budgetary control can enhance the performance of and organization.

The NGOs in Ghana are advice to adhere to the formal practice in implementing budgetary control.

The organizations should adopt a holistic approach in management of their organization to achieve their objectives. They not only rely on budgetary control for achievement of their goals and objectives.

Acknowledgement

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Reference