

Influence of Budgetary-Allocation on Performance of Projects within Non-Governmental Organizations in Mogadishu, Somalia

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Abstract

This paper investigates the influence of budgetary allocation on performance of projects within Non-Governmental Organizations (NGOs) in Mogadishu, Somalia. Descriptive research design was used and the target population constituted 78 managers and 390 senior employees in 78 NGOs in Mogadishu. The study adopted a stratified random sampling technique by which a sample size of 216 respondents was chosen using Yamane's (1967) formula. Data was collected using questionnaire, and both descriptive and inferential statistics were applied in the data analysis process. With regard to the influence of budgetary allocation on project management, the findings showed that employees agreed to a great extent that, proper budgetary control aid the NGOs in decision making, and majority consider budget knowledge as important for success in the workplace, looking at it as a means through which the company has can have a better understanding of budget control techniques. The result also showed that the intercept between budgetary allocation and performance of project becomes better by $\beta = 0.821$, $p < 0.01$ confirming that when budgetary allocation is improved by a single unit, the project performance also significantly improves by 82.1%. The study made a conclusion that what cannot be measured therefore cannot be achieved. Projects that are able to generate revenues are likely to be funded through provision of proper budgets that support its operations. The study recommends that all departments embrace budgeting and effective resource allocation for each function in the organization.

Key Words: Influence, Budgetary-allocation, Performance, Projects, Non-Governmental Organizations, Mogadishu, Somalia.

Introduction

A budget is a management and regulation tool used to manage public funds to optimize financial realization performance targets effectively. According to Cheruiyot et al. (2018), a budget is a management and regulation tool used to effectively manage the public funds to optimize financial realization of performance targets efficiently. Budgeting is a very important element in all organizations. It enables managers to allocate and control their finances effectively for proper project implementation. A budget is defined as a pre-arranged statement of the managerial policy's predetermined statement during the given period, providing a standard for comparison with the results achieved (Moretti et al., 2017).

Budgetary allocation refers to an integral component of a budget that indicates the level of resources an organization is committing to a program or project (Kwon & Kang, 2018). According to Cheruiyot et al. (2018), a budget is a management and regulation tool used to

effectively manage the public funds to optimize financial realization performance targets efficiently. A budget is a management and regulation tool used to manage public funds to optimize financial realization performance targets effectively. According to Dzyana and Dzyanyy (2021), they noted that NGOs are increasingly pleased to adapt to the demanding dynamic environmental pressures that threaten their survival.

The United States firmly believes that a robust civil society – independent of state control or government involvement- is necessary for democracy to thrive. From the earliest days of U.S. history, civil society organizations have played a key role in protecting human rights and advancing human progress (Cheatham, 2016). There are approximately 1.5 million NGOs operating in the United States. These NGOs undertake various activities, including political advocacy on foreign policy, elections, the environment, healthcare, women's rights, economic development, and many other issues. They often develop and address new approaches to social and economic problems that governments cannot address alone (Bush & Hadden, 2019).

A study was conducted by Amida (2018) on the effect of budget and budgetary control on an Organization's performance: A case study of the East African Portland Cement Company Limited. It was established that there was a low positive correlation between budgetary controls and sales turnover. The study recommended that the organization increases the sensitization among management and employees of the East African Portland Cement Company on the importance of budgetary controls in enhancing financial performance. Keng'ara and Makina (2020) examined the effect of budgetary processes on organizational performance: A case of Marine State Agencies, Kenya. Target population was Heads of Department in Financial, Procurement Audit and Monitoring and Evaluation in Marine sector and Chief executive officers. The sample size of the study was 70 respondents. Data collection tool was questionnaires that were distributed among 70 respondents.

In Ethiopia, Tafa and Bessie (2016) report that the main challenges of budget implementation in university buildings are a lack of proper planning and allocation of budget for building facilities, insufficient timely revision of the initial proposed physical activity plan based on the approved and available budget, insufficient knowledge of the concept of program budgeting system, a shortage of an adequate number of human resources, and insufficient involvement of all concerned bodies during budget plan preparation. Furthermore, they indicated that problems associated with the decentralized budget administration system are a lack of result-oriented evaluation of budget implementation, poor/irregular revision of plans following the available budget, a lack of effective communication, a lack of effective budget monitoring and evaluation, and a lack of full involvement of line managers in the planning process were internal factors affecting the budget implementation of public universities.

Olurankinse and Oloruntoba (2017) study examined the impact of accountability on budget execution in Nigeria, utilizing the Ondo State Ministry of Finance as a case study. The article used a survey design and secondary data from the Ministry of Finance's statistics bulletin 30. The findings show that the coefficient of multiple determination is low in explaining the annual approved budget estimates; additionally, the formulated model does not show a good fit for the total approved budget estimates due to unforeseen events that affect the accountability measure during budget implementation.

Ahmed et al. (2020) conducted a research in Somalia highlighting that NGOs in Somalia face unique challenges arising from the long state of war in the country. These challenges included; lack of physical security in most parts of the country, lack of trained workforce, and the absence of a regulatory framework to enforce rules and regulations and lack of formal financial services among others. The study's main objective was to establish the significance of strategic plan implementations on project performance within NGOs in Mogadishu, Somalia. Studies show that many firms fail to properly implement strategies despite having formulated them well (Rascão, 2021). Strategy formulation is the selection by an organization of the most appropriate courses of action or plans to achieve its set objectives, while strategy implementation is putting the selected plan into action (Dia & Cabantous, 2019). Thus, plans must be executed to achieve the desired results, thus making the strategy implementation stage extremely crucial in the strategic management cycle.

Ekhatior and Chima (2015) studied the budget as a tool for understanding the goal of governmental policy. Using secondary source data, it was determined that the objectives of most programs were never met in Nigeria due to serious financial deficits at the implementation and development phases. Delays in planning, late request and appropriation, a sluggish bureaucratic structure for securing money release, a shortfall in income, an inadequate execution strategy, and, most importantly, corruption were cited as major factors for delayed budget implementation among Nigerian corporations. Therefore, the main objective of this paper is to determine the influence of budgetary-allocation on the performance of projects within Non-Governmental Organizations in Mogadishu, Somalia.

Methodology

Descriptive research design was used because it helped in collecting information, making summary, presenting data, and interpreting it as well as to explain results obtained (Serakan & Bougie, 2013). The population for this study was 78 managers and 390 senior employees in the 78 NGOS in Mogadishu City at the time of study. Zikmund et al. (2010) notes that a sampling frame is a list of items used to draw a sample while Cooper and Schindler (2016) adds that, a sampling frame is a list of all elements in a population which an investigator wishes to study. In this study a list containing 78 managers and 390 senior employees was obtained from human resource data bases thus formed the sampling frame for the study. The study used stratified random sampling because it helped find a representative sample from a population and divide it into sub-population or strata (Cooper & Schindler, 2014). The study divided the target population into two strata (managers and senior employees). The sample of these population were randomly selected from each stratum. The sample size for this study was chosen using Yamane's (1967) formula. To calculate the sample size that was used in the study to collect data.

$$n = \frac{N}{1 + N(e^2)}$$

n = sample size required

N = Population size

e = allowable error (%)

At 95% confidence level with $\pm 10\%$

The sample size for this study will be;

$$468 / \{1 + 468(0.05)^2\} = 216$$

This study used primary data. Primary data was chosen because data collected was very specific to the problem. Questionnaires were used to collect the primary data because they are easy to administer and an investigator is able to collect consistent information (Mugenda & Mugenda, 2003). According to Creswell (2014), questionnaires are a research instrument that has a number of questions used to collect data from participants. The following five point Likert Scale was used 5= strongly agree, 4 = agree, 3=neutral, 2= disagree and 1= strongly disagree.

Pilot study using at least 5% of the respondents (10) to ensure that items in the research instrument are clearly stated and have the same meaning to all participants was used (Kothari, 2014). The data collected in the pilot survey was however not included in the final study. Feedback obtained after conducting a pilot study was used to make necessary corrections on the questionnaire. After the pilot study, the necessary editing was done on the questionnaires used to collect data. The reliability test was done using the Cronbach's Alpha value judgment for each variable with its constructs or items. For the items or questions under each variable to be considered reliable, an overall Cronbach alpha value of all the constructs of a variable must be 0.7 and above. The Cronbach Alpha analysis showed that all the overall Cronbach's Alpha values for each variable was greater than 0.7. Data coding, cleaning and sorting were then done for the final data collected after pre-testing the instruments. Data analysis was done using SPSS version 25. The study used descriptive and inferential statistics. According to Saunders et al. (2016), descriptive statistics is the process of translating raw data into information that can be understood. Pearson correlation and regression analysis were used for the inferential statistics to determine relationship between variable and the regression model were as follows;

$$Y = \beta_0 + \beta_1 X_1$$

Where:

Y= performance of NGOs in Mogadishu

β_0, β_1 , = Regression coefficients for the independent variable.

X_1 =Budgetary allocation

Results

Response rate

The target sample of the study was 216. Out of this, 172 questionnaires were answered and returned for analysis representing a response rate of 80%. This response rate is in line with Mugenda, and Mugenda, (2008)'s assertion that a response rate of above 75% is adequate

enough for statistical conclusions. The results are as shown in the Figure 1.

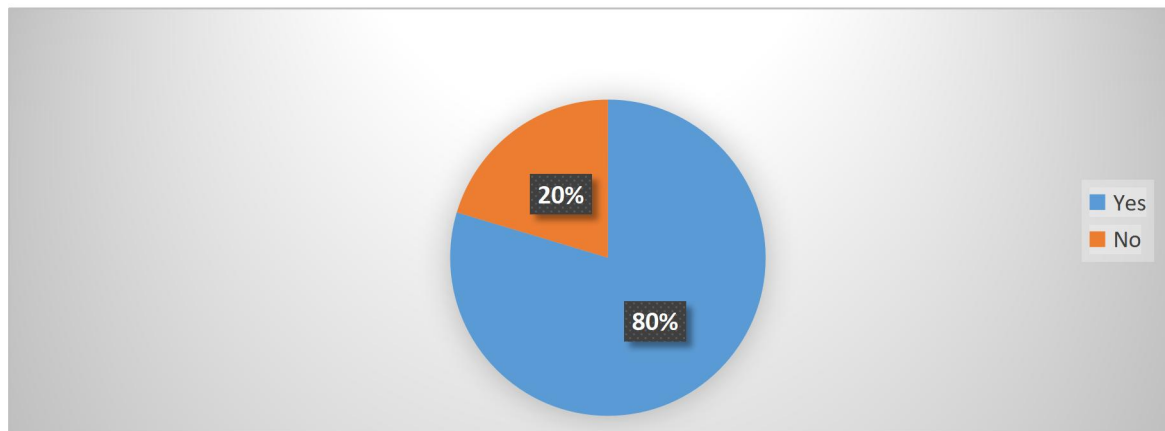


Figure 1. Response Rate

Descriptive Statistics

Influence of Budgetary Allocation on Performance of Project

On a scale of 1-5, the employees were asked to rate the extent to which they agree with the statements on the influence of budgetary allocation on performance of project. A score of 1.0 to 1.4 means that, the statement is not true (no extent), a score of 1.5 to 2.4 means that, the statement is true to a little extent, a score of 2.5 to 3.4 means that, the statement is true to moderate extent, a score of 3.4 to 4.4 means that, the statement is true to a great extent and 4.5 to 5 means that, the statement is true to a very great extent.

Table 1. Influence of Budgetary Allocation on Performance of Project

Statement	N	Missing	Mean	Std. Dev
Proper budgetary control aid the Organization in decision making	168	4	3.84	1.112
We consider budget knowledge as important for the success in the workplace	170	2	3.78	1.139
The company has increased better understanding of budget control techniques	171	1	3.67	1.094
The Organization budget provides a standard for comparison with the results achieved	172	0	3.67	1.138
The organization has a strong budget allocation, achieving its strategic goals and objectives.	167	5	3.57	1.234
We revise the financial plan quarterly	167	5	3.57	1.164
We strive to hire and retain the best employees with financial skills as an organization.	167	5	3.50	1.108
The Organization applies efforts to motivate and improve expenditure	172		3.47	1.124
There are in place policies that all budget-making staff are trained to enhance their	171	1	3.45	1.227

budget-making skills				
The organization embraces the budgetary process to realize superior performance.	172	0	3.40	1.260
The organization has increased the level of sensitization among management and employees on a budget	168	4	3.33	1.206
The Organization ensures the participation of staff and other stakeholders in the budget preparation	169	3	3.23	1.254
Average	171		3.540	1.172

The findings showed in Table 1 indicate that, the employees agreed to a great extent with a mean score of 3.5 that, proper budgetary control aid the NGOs in decision making, consider budget knowledge as important for success in the workplace, the company has increased better understanding of budget control techniques, budget provides a standard for comparison with the results achieved, the organization has a strong budget allocation, achieving its strategic goals and objectives, revise the financial plan quarterly and strive to hire and retain the best employees with financial skills as an organization. The employees also agreed to a moderate extent with a mean score of about 3.0 that, efforts were applied to motivate and improve expenditure, there were policies that all budget preparation staff are trained to enhance their budget preparation skills. The NGOs embraced the budgetary process to realize superior performance. There was increased level of sensitization among management and employees on budgets, and that staff and other stakeholders' participation was ensured in the budget preparation.

Correlation between Budgetary Allocation and Performance of Project

Pearson correlation was done to investigate if there was significant relationship between budgetary allocation and performance of project. The results shown in Table 2 below showed that, there was strong positive significant relationship between budgetary allocation and performance of project ($r=0.776$, $p=0.00$). This, therefore, indicated that any significant change in budgetary allocation would significantly affect performance of project.

Table 2. Correlation between Budgetary Allocation and Performance of Project

Correlations		Project Performance	Budgetary Allocation
Project Performance	Pearson Correlation	1	.776**
	Sig. (2-tailed)		.000
Budgetary Allocation	Pearson Correlation	.776**	1
	Sig. (2-tailed)	.000	
N		172	172

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

Regression Analysis between Budgetary Allocation and Performance of Project

Model Summary for Budgetary Allocation and Performance of Project

The model summary for budgetary allocation and performance of project is presented in the Table 3. The findings showed that, R-square= 0.603. This means that Budgetary Allocation predicted 60.3% of the project performance and 39.7% was determined by other factors.

Table 3. Model Summary for Budgetary Allocation and Performance of Project

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.776 ^a	0.603	0.600	0.62123

a. Predictors: (Constant), Budgetary Allocation

ANOVA between Budgetary Allocation and Performance of Project

The ANOVA between budgetary allocation and performance of project is presented in the table below. The results showed that there was significant linear relationship variance between budgetary allocation and performance of project ($F = 224.560$, $p < .05$). Therefore, the linear regression model is $Y = B_0 + X_1B_1$ where Y is the Project performance, X_1 is the Budgetary Allocation, B_1 is the coefficient or effect of Budgetary Allocation (X_1) and B_0 is the constant in the model.

Table 4. ANOVA between Budgetary Allocation and Performance of Project

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86.663	1	86.663	224.560	.000 ^b
	Residual	57.117	171	0.386		
	Total	143.780	172			

a. Dependent Variable: Project Performance

b. Predictors: (Constant), Budgetary Allocation

Regression Coefficients for Budgetary Allocation and Performance of Project

The table below represents the regression coefficients between budgetary allocation and performance of project. The result shows that the intercept between budgetary allocation and performance of project becomes better by $\beta = 0.821$, $p < 0.01$. The implication is that, when budgetary allocation is improved by a single unit, the project performance also significantly

improves by 82.1%. The significant linear regression model explained in the table is therefore $Y = 0.788 + 0.821X_1$.

Table 5. Regression Coefficients for Budgetary Allocation and Performance of Project

Coefficients					
		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	.788	.199		3.948
	Budgetary Allocation	.821	.055	.776	14.985

a. Dependent Variable: Project Performance

F Critical was 224.560

F calculated = $86.663 / 0.386 = 224.515$

The calculated F value in a test was smaller than the F critical value, we therefore accept the null hypothesis and state that budgetary allocation has a significant influence on the Performance of Project.

Discussion

The findings showed that proper budgetary control aid the organization in decision making since any project will have to be funded by a realistic budget for it to be effectively implemented. This is clear because of the fact that the organization considers budgetary knowledge as a very important success factor for any successful project. Budgetary allocation refers to an integral component of a budget that indicates the level of resources an organization is committing to a program or project (Kwon & Kang, 2018). This is in line with Mohamed et al. (2015) who indicated that managers should put in place measures that increase better understanding of budget control techniques that develop strong financial integrity with performance management. Budgeting identifies current available capital, provides an estimate of expenditure and anticipates incoming revenue. This is in line with Mohamed et al. (2015) who stated that that budget is used to determine the level of operations that an organization wants to undertake as it offers proper budgetary control measures that aid in decision making as it tracks the level of performance of every activity by identifying under-performed activities that may require revision or possible elimination. Depending on the size of the business, it may be helpful to break down the budget by department, providing each department with its own to follow.

The study also indicated that the organization has a strong budget allocation processes that helps it achieve its strategic goals and objectives by revising the financial plan quarterly as it strives to hire and retain the best employees with financial skills as an organization. When running a business, it's easy to get bogged down with day to day problems and miss the

bigger picture. Successful businesses allocate time to create and manage budgets, prepare and review business plans and regularly monitor their financial situation and business performance. This is in tandem with Witt and Müller (2014) who argued that an organization that have a strong budget allocation processes are able to achieve their strategic goals and objectives. This is in sync with Olola (2019) who stated that budgeting is a very useful tool that helps the organization to evaluate their goals and objectives thus, increase performance and therefore organization should consider the changes that are taking place in the environment when planning and allocating resources. The study revealed a positive Correlation between Budgetary Allocation and Performance of Project at ($r=0.776$, $p=0.00$). This indicated that any positive significant change in budgetary allocation would significantly affect performance of project.

Conclusion

The study made a conclusion that there is need for NGOs to embrace high level of concern on budgetary control and its impact on decision making. Additionally, NGOs have strong budget allocation and strives to hire and retain employees with financial skills. However, there are areas for improvement, such as the level of motivation and improvement in expenditure, the training of budget-making staff, and the level of participation of staff and other stakeholders in budget preparation. Additionally, NGOs can also benefit from increasing the level of sensitization among management and employees on budget matters. Overall, NGOs seems to have a strong focus on budgetary control and its impact on achieving strategic goals and objectives.

Recommendations

The study recommends that all departments should embrace budgeting and effective resource allocation for each function in the organization. More so, NGOs should provide training to all budget-making staff to enhance their budget-making skills and ensure that budgets are prepared effectively. In addition, the organization should ensure the participation of staff and other stakeholders in the budget preparation process to ensure that all relevant perspectives are taken into account.

There is a need for increased sensitization on budget matters especially among management and other employees to ensure that everyone is aware of the importance of budgetary control and their role in achieving strategic goals and objectives. Financial plan should be reviewed on a regular basis, such as quarterly, to ensure that it remains aligned with its goals and objectives and that any necessary adjustments are made. By implementing these recommendations, NGOs can improve its budgetary control and decision-making processes, and achieve its strategic goals and objectives.

Conflict of Interest

We, the authors of this document, confirm that there are no current, potential, or perceived known conflicts of interest related to this document. Our role as authors is primarily to disseminate scholarly materials to researchers, maintaining a high degree of objectivity and integrity.

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