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AN EVALUATION OF BUDGETARY CONTROL MEASURES AS A MEANS OF ENHANCING THE FINANCIAL MANAGEMENT OF NON-PROFIT ORGANISATIONS (NPOS) IN NIGERIA

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Abstract

This study investigated the budgetary control measures as a means of enhancing financial management of nonprofit organisations (NPOs) in Nigeria. Specifically, the study explored the effect of budget monitoring, budget cost control, and budget reporting on the financial management of NPOs. A quantitative research method was employed to gather quantitative data, as 129 responses were received through closed-ended questionnaires that were administered to the study participants (the staff and management of the selected charity foundations in Oyo State). SPSS version 28 was used to conduct multiple regression analysis to ultimately analyse the gathered quantitative data. The findings revealed that budgetary control measures, as measured by budget monitoring, budget cost control, and budget reporting, have a significant impact on effective financial management of NPOs in Oyo State, with an R-square value of 0.93, which indicates that 93% of variations in effective financial management can be explained by the considered budgetary control measures. Also, the F-statistic (469.658) at a P-value (0.000) reveals that the general model was statistically significant. This means the independent variables (budget monitoring, budget cost control, and budget reporting) are good predictors of the level of financial management of NPOs in Oyo State. This study

Key words:
Budgetary control systems, budget monitoring, budget reporting, budget cost control, financial management, non-profit organisations

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concluded that effective financial management of NPOs in Oyo State is significantly influenced by the budget control measures. Based on the findings, it is recommended that the NPOs should assign budget committees within departments that are responsible for monitoring certain parts of the budget; they should critically appraise projected expenditure via cost-benefit analysis to ensure optimum use of budgeted funds, and also, they should try to design a template for steady financial reporting across the company's departments and projects to enhance clarity.

INTRODUCTION

The incapacity of management to implement efficient budgetary controls has been a topic of discussion on a global scale about corporate failure (Madugba, Ben-caleb, Lawal, and Agburuga, 2020). The idea of "going concern" is the foundation of all commercial organisations, whether they are profit-making or non-profit. However, successful planning, control, and decision-making are essential to any corporate entity's profitability, survival, and sustainability (Egbide, Ugochukwu, and Ijeoma, 2022).

Budget control, which offers a comprehensive management platform for effective and efficient resource allocation, is the main corporate internal control mechanism used by the majority of organisations (Mohamed, Evans, and Tirimba, 2015). Budgetary control, according to Venkatesh & Blaskovich (2016), is the process of comparing the enterprise's budgeted figures with its actual performance in order to determine any variations and then comparing the budgeted figures with the actual performance for the future period and standards specified. Effective implementation of budgetary controls is a crucial assurance for the successful implementation of the organisation's budget since it allows the management team to create plans for the future, carry them out, and monitor activities to determine whether they follow the plan (Carr and Joseph, 2000).

Due to funding reductions, it is more crucial than ever for nonprofit organisations (NPOs) to manage scarce resources in the face of ongoing environmental and humanitarian crises. Accordingly, the core reasoning for planning, control, and accountability is represented by the use of budgeting and budget control (Johansson & Siverbo, 2014).

The planning and controlling aspects of management are also impacted by budgeting. For efficient resource management, it entails specifying an activity in advance and comparing the actual result with the standard (Nweze, 2004). Numerous factors influence an organisation's ability to exist, such as how it plans its resources and how it plans to use them (Robyn, Peter, and Sandra, 2010; Aduwo, 2019). However, because of shifting trends, donor funding is now primarily allocated for specific projects over shorter time periods, making budgets more crucial for funding approval. For instance, in the 1990s, donor funds were used to run projects and pay salaries over an extended period of time (Riley, 2012). Goal congruence is one of the requirements for budget management in

order to provide services effectively. Effective budget management becomes a crucial tool in the context of growing financial difficulties (Scott & Enu-Kwesi cited in Mpaata, Kakumba & Lubogoyi, 2019). The dedication of board members and employees to financial management, which includes prompt evaluation of financial reports and proactive planning, is a crucial element of a non-profit organization's financial sustainability (Joshi, Al-Mudhaki, Bremser, 2003). Similar to this, rigorous budget adherence is one of the essential components of good financial management, where the annual master budget is carefully created, connected to the organisation's plan, and takes into account the declining sponsorship from both government and private non-profits (Wu, Boateng, Drury, 2007). One of the main benefits of NPO budgeting is that, with careful planning and implementation, it increases the possibility that the organisation will be financially sustainable (Blazek, 2008).

Statement of the problem

According to Uyar and Bilgin (2011), non-profit organisations play a crucial role in improving living conditions in underprivileged areas and offering help after natural disasters. A decrease in social welfare spending, however, is likely to cause major capital issues for NPOs because of their reliance on outside funding, leaving them to deal with the issue of scarce funds and resources (LeRoux, 2005).

Due to budgetary constraints and the nature of non-profit organisations, many of them have been functioning with limited resources, which has hindered the majority of their activities (Madlela and Kapepiso, 2020). Research in non-profit organisations is scarce, and literature evaluations of accounting research on budget control reveal that research on private sector organisations nearly entirely dominates the field (Johansson & Siverbo, 2014). Little is known about how the organisation raises money with other stakeholders. Many non-profit organisations experience budget deficits and gaps as a result of inadequate budgetary control. If things don't get better over time, a NPO with limited liquid assets may end up in major financial problems. It was highlighted by Gambino and Reardon (1981), referenced in Zietlow (1989), that forecasting and budgeting in particular are typically not used well by established NPOs.

Research objectives

The main objective of this study is to investigate the impact of budgetary control measures on financial performance of non-profit making organisations (NPOs) in Nigeria. The specific objectives are:

i. To examine the effect of budget monitoring on financial management of NPOs
ii. To ascertain the effect of budget cost control on financial management of NPOs
iii. To examine the extent to which budget reporting affect financial management of NPOs

Research hypotheses

Based on the aforementioned research aims, the following research null hypotheses have been developed.

Ho_1: Budget monitoring does not have a significant impact on financial management of NPOs

Ho_2: Budget cost control has no significant impact on financial management of NPOs

Ho_3: Budget reporting does not have a significant impact on financial management of NPOs

LITERATURE REVIEW

Although the term "budget" has come to be associated with spending limits, it should actually refer to more effective use of available resources. According to Vohwinkle (2018), a budget is a numerical representation of a strategy and a tool for coordinating and carrying out the objectives of the company. In a broader sense, the phrase "budget" refers to an organisation's expected financial revenue and expenses for a specific time frame, often one year. In other words, it is a financial plan that displays the anticipated revenue and expenses of a company over a one-year period. However, managing revenue and expenses is implied by budgetary control (Egbide, Ugochukwu, and Ijeoma, 2022). Therefore, it has been determined that the most crucial responsibility of the controlling function in many organisations is financial control (Henttu-Aho, 2016).

The budgetary control theory states that an effective budgetary control system must be capable of handling the effectiveness and efficiency of the organisation's spending. The level of an organisation’s income influences a healthy budget (Robinson, 2009). According to Sawhill and Williamson (2001), budgets can serve as a measure of how good the current administration is performing. It serves as a declaration of their ability to manage the company as well as the country's resources. Therefore, it is crucial that the organisation comprehends its budgeting system and prioritises matters that need its control tools' attention. It is crucial for the company to identify the trends in the organisation's spending and performance purposely to ascertain the connection between the budgeting system and the latter (Phyrr, 1970).

The two main budget types that are commonly used in the NPO sector are as follows: (a) Budget for cash and (b) Budget for capital. The cash budget is a projection that reveals the projected inflows and outflows of funds for the company over a certain time frame. According to Correia, Flynn, Uliana, Wormald, and Dillon (2015), these budgets can be created on a daily, weekly, or monthly basis.

It is more challenging and important for NPOs to create budgets because of the paradigm changes in technology expansion, the complexity of universal humanitarian demands,

and worldwide crises. Therefore, their success and sustainability are largely dependent on the budgetary control process (Austen & Hailstone, 2008; Henttu-Aho, 2016).

Policy planning requires budgetary control, which also offers a financial roadmap that is critical to accomplishing an organisation's strategic objectives. According to Achim (2009), the main goals of budgetary control, particularly for nonprofit organisations, are (i) to (i) guarantee future planning by establishing multiple budgets, the organisation's needs, and the projected performance of the organisation; and (ii) to run various departments and cost centres effectively and economically.

It is evident from the literature that budgetary control encounters various obstacles that can rarely stop it from achieving its main targets of resource efficiency and sustainability. Presenting a fixed, preset, and unchanging aim is one of the main challenges facing NPOs, according to Margah (2005). Experts are demanded to prepare accounting information, and most NPO decision-makers lack both the expertise and budget management skills. As a result, non-finance managers typically contribute not much to the formation of budget-related information, and NPOs sometimes strive very hard to find appropriately skilled and trained financial professionals (Mzini, 2011; Henttu-Aho, 2016; Jorge, Jorge de Jesus & Nogueira, 2019; Mpaata et al., 2019).

METHODOLOGY

This study employed a survey research design to collect information on the effect of budgetary control measures (budget monitoring, budget cost control, and budget reporting) on the financial performance of NPOs in Nigeria. A quantitative research approach was used to investigate this study, and the closed-ended questionnaire was designed to gather quantitative data from the selected NPOs in Oyo State, Nigeria. The designed questionnaire was administered to the participants (the staff and management of the selected charity foundations in Oyo State) via online as the Google Form questionnaire was sent to the participants' official email through the companies' HR manager. 129 responses were finally received, and multiple regression analysis was conducted using SPSS version 28 to analyse the data gathered.

Model specification

The study's dependent variable is financial management (FMGT), and the independent variable (budget control measures) consists of budgetary monitoring (BMR), budget cost control (BCC), and budget reporting (BRT). Thus, the multiple regression model is expressed in the following manner:

FMGT = f (BMR, BCC, MRT)…… eqt.1

$FMGT = \beta_0 + \beta_1 BMR + \beta_2 BCC + \beta_3 BRT + \mu$……..eqt. 2

Where: β_0 is the equation's constant

β_1, β_2, and β_3 are regression coefficients of the independent variables
μ = Error terms

FINDINGS AND DISCUSSION

This section focuses on the study findings and discussion of the finding

Findings: Regression Analysis

The results of the conducted multiple regression analysis are presented below in the Model summary, ANOVA and regression coefficient

Table 1: Model Summary

Model Summary[b]

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate	Durbin-Watson
1	0.952[a]	0.934	0.923	0.24527	0.563

Where:

a. Predictors: (Constant), Budget monitoring, Budget cost control, and Budget reporting.

b. Dependent Variable: Financial management

Source: Survey, 2025 (Using SPSS version 28).

The R-Square (0.93) in the table above indicates that 93% of variations in the effective financial management of NPOs in Oyo State can be explained by the companies' budget monitoring, budget cost control, and budget reporting. Hence, 7% of variation in the companies' effective financial management could be traced to other factors not measured in the model**.**

Table 2: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	102.856	3	34.285	469.658	.000[b]
	Residual	9.079	125	.073		
	Total	111.935	128			

Where:

a. Predictors: (Constant), Budget monitoring, Budget cost control, and Budget reporting

b. Dependent Variable: Financial management.

Source: Survey, 2025 (Using SPSS version 28).

The ANOVA result (F-stat = 469.658, at P-value = 0.000) shows that the model is statistically significant. This indicates that the independent variables (budget monitoring,

budget cost control, and budget reporting) were collectively significant with the NPOs' effective financial management, as the F-stat (469.658) is greater than F-tabulated (53.593) at the 5% level of significance.

Table 3: Regression coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.124	.124		1.241	0.034
	Budget monitoring.	0.568	.123	0.234	3.516	0.000
	Budget cost control	0.680	.083	0.634	0.897	0.025
	Budget reporting	0.593	.070	0.655	6.136	0.000

Source: Survey, 2025 (processed using SPSS version 28).

In table 3 above, the constant value (0.124) reveals that the level of financial management of NPOs is 0.124 when the companies don't put budgetary control measures (budget monitoring, budget cost control, and budget reporting) into consideration. The regression coefficients 0.568, 0.680, and 0.593 indicate that a unit change in budget monitoring, budget cost control, and budget reporting brings about a 0.568, 0.680, and 0.593 change in effective financial management of NPOs in Oyo State, Nigeria, respectively.

Based on these results, the formulated research null hypotheses should be rejected and therefore concluded that the NPOs' budget monitoring, budget cost control, and budget reporting are significantly enhanced the companies' effective financial management.

Discussion of findings

This result revealed that NPOs' budget monitoring has significantly influenced the companies' effective financial management. This result is corroborated with the finding of Ebrahim (2003), who claimed that budget monitoring enhances a company's financial transparency and legitimacy as well as donor trust in NPOs. Budget monitoring in NPOs ensures the funds donated by donors are appropriately channelled to the assigned and planned programs. Also, Wildavsky (1986) affirmed that effective budget monitoring is very necessary in managing public and non-profit organizations, where the risk of resource misappropriation is high owing to many funding bases and project-centered

finances. Budget monitoring not only strengthens accountability but also enhances decision-making by delivering real-time understandings.

In this study, budget cost control is deduced to have a significant impact on NPOs' financial management. This result is in line with the study of Drury (2018), who found that budget cost control is not merely about reducing costs but safeguarding the money budget for a particular activity. Anthony & Young (2003) stated that more recent approaches in the nonprofit sector emphasise adaptive budgeting, that is, the ability to flexibly respond to vigorous funding and community requests. Budget cost control reveals the action techniques employed to ensure that the organisational expenses and overheads are within the agreed budget controls. Also, Horngren et al. (2013) stated that budget cost control concentrates on reducing costs without affecting the quality of services.

The finding of this study revealed that budget reporting has a significant impact on NPOs' financial management. This finding is corroborated with the study of Anthony & Young (2003), who found that effective budget reporting is an effective instrument for accountability and financial transparency in an organisation. Also, Ebrahim (2005) observed that transparent and timely budget reporting is a crucial component of accountability instruments in public organisations. It enhances learning as well as incessant enhancement in the company's financial management. Goddard (2005) advised that budget reporting in NPOs should extend beyond statistical presentation and comprise narrative clarifications for adjustments. Articles should be channelled to numerous stakeholders like companies' funders, board members, and program managers.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study investigated how budgetary controls affected the financial management of non-profit-making organisations (NPOs) in Nigeria. In general, budgetary controls are used by most organisations as the main corporate internal control mechanism; they offer a comprehensive management platform for efficient and effective resource allocation; they allow the management team to make plans for the future and monitor activities to see if they follow the plan; and they are a crucial guarantee for the effective implementation of the budget in the organisation. Since funding for NPOs is being cut, it is becoming more and more crucial for these organisations to manage their limited resources in the face of countless natural and humanitarian crises.

Therefore, using budgeting and budget control signifies the central logic for planning, control, and accountability. From this study, it is deduced that budgetary control measures (budget monitoring, budget cost control, and budget reporting) have a

significant impact on financial management of NPOs in Oyo State, Nigeria (R-square = 0.93 and F-stat = 469.658, at P-value = 0.000). Based on these findings, it is therefore concluded that the financial management of NPOs in Nigeria is strongly influenced by the companies' effective budgetary control measures.

Recommendations

In line with the findings, the following recommendations were made:

i. Considering the effect of budget monitoring on financial management of NPOs in Oyo State, it is therefore recommended that the NPOs should try to assign budget committees within departments that are responsible for monitoring certain parts of the budget, ensure close monitoring of donor-contributed money to keep to grant conditions and avoid fund mishandling, and adopt and invest in cloud-enhanced financial software that offers the latest financial data, facilitating more precise and proper monitoring.
ii. Based on the effect of budget cost control on NPOs' financial management, the companies are recommended to: critically appraise projected expenditure via cost-benefit analysis to ensure optimum use of budgeted funds; rank activities and programs based on considered effect and apportion funds appropriately, cutting lesser-priority expenses when required; and educate their staff on the importance of cost control and encourage suggestions for saving funds without compromising service delivery.
iii. In line with the impact of budget reporting on financial management of NPOs in Oyo State, the companies' management is advised to design a template for steady financial reporting across the company's departments and projects to enhance clarity, tailor reports for stakeholders like donors, board members, and department heads for effective communication and relevance, and adopt a financial software solution to create and distribute reports regularly to reduce manual errors and improve efficiency.

Future research and contribution to knowledge

Research on other NPOs in Nigeria is necessary for comparison. Future studies on the conditions surrounding budgetary control in NPOs may potentially expand the sample size to see if the findings will change with a larger sample. Last but not least, this study has advanced the understanding of the significance of budgetary controls in financial management by casting doubt on the notion that appropriately trained financial professionals are necessary for efficient budget management practices (Jorge, Jorge de Jesus & Nogueira, 2019; Henttu-Aho, 2016; Mzini, 2011; Mpaata, Kakumba & Lubogoyi, 2019).

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