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Budget Control and Organizational Performance of Local Government in Darchula District

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Abstract

The study aims to examine how budget control affects the performance of local government in Darchula district, taking into account the role of employee motivation. The study used a quantitative approach that combined descriptive and causal-comparative research designs with primary data. Out of 246 employees, 150 were sampled. A total of 200 questionnaires were distributed, and 165 completed questionnaires were returned.

The results shown that budgetary guidelines and participation have the strongest positive effect on organizational performance, followed by monitoring and performance measure. However, training and effectiveness of budget show a weaker impact, suggesting the need for improved training and effectiveness strategies of budget. Additionally, the study confirms that employee motivation significantly mediates the relationship between budget control and organizational performance. Budget control of local government in Darchula district has a significant and positive impact on organizational performance, the combined effect of budget control and motivation has found stronger rather than single effect.

Budget control has a significant and positive impact on organizational performance, and the combined effect of budget control and employee motivation has a strong synergy in driving better outcomes. The findings of the study will be useful to the officers of local government for the implementation of budget control dimensions (structured budget guidelines, participation, training, and monitoring systems) to enhance public sector accountability and efficiency. The future research will need to address the

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qualitative issues and explore the ways of budget control within the various government sectors.

Keywords : Organizational Performance, Budget Control, Employee Motivation, Local Government

Introduction

Good financial management requires a good budget control, particularly in the government where accountability and transparency are the most important things. The budgeting process is necessary to the local governments. It defines the allocation of resources and influences the degree of efficiency and effectiveness of service provision (Bogaert, Meuleman, and Bouckaert, 2020).

Budget control entails planning, monitoring, and comparisons of the actual financial performance of an organization against the budgeted expenses and revenues of an organization. It involves making corrections which are needed as well. By so doing, organizations are able to manage resources effectively, have financial discipline and achieve their strategic objectives. Budget control keeps the company accountable by monitoring and analyzing finances and enhancing decision making within departments (Horngren, Datar, and Rajan, 2015).

The main aspects of budget control are the guidelines and involvement in budgeting, monitoring and performance measures, flexibility and transparency of budgeting, training and efficacy. These factors have a strong foundation that underpins efficient management of finances and enhances the output of the organization.

This study is based on the theoretical framework of Self-Determination Theory (SDT) and Motivation Crowding Theory (MCT). SDT emphasizes that intrinsic motivation should be promoted through autonomy, competence, and relatedness which is essential to the high level of employee engagement and performance (Deci and Ryan, 1985). Meanwhile, MCT looks at the interaction between intrinsic and extrinsic motivation, and how it is possible that external rewards support or undermine intrinsic motivation depending on the degree to which these rewards are perceived to be supportive (Frey and Jegen, 2001).

Darchula District is located in the extreme-western region of Nepal in the Sudurpashchim Province. It is a mountainous and remote region with the combination of various landscapes all the way up to the mountainous ridges and the deep river valleys. The district borders with India and China, which makes it significant in terms of the trade and cross-border relationship (Central Bureau of Statistics [CBS], 2021). Since majority

of the rural population in Darchula is involved in farming, the area is associated with specific developmental challenges, including the lack of adequate infrastructure, low connectivity with the rest of the country, and lack of access to basic services including health and education. These are geographic and economic factors that significantly impact the management capacity of the local government to organize resources and development programs (Khadka, 2019). There are 9 local governments in Darchula which include two municipalities and seven rural municipalities.

The literature indicates that budget controls are positively related to the performance of the organization. Geographic isolation, lack of infrastructure, and difference in administrative capacity present difficulties to local governments that are trying to properly manage budgets (Shrestha and Ojha, 2021). Budget control is a good practice in ensuring that there is a proper utilization of public funds and that there is better performance in the organization, where there is better planning, monitoring as well as accountability. Past research reports that local governments which have high budget discipline have high performance rates such as completion of projects on time, efficient service provision, and high public trust (Egbunike & Okoye, 2017).

The relationship between organizational performance and budget control, which is affected by employee motivation has been well examined in the private sector, there is little research on the same in the case of organizations in the public sector especially in the new local governments in Nepal. The present research aims to fill this gap by evaluating the effects of budget control on the performance of an organization with a narrower perspective on employee motivation as an intermediary variable between budget control and organizational performance of local government in Darchula district. In this case budget control will be of particular significance since these institutions are providing basic services to the population and need to be efficient in the utilization of resources. The research will consider the impacts of budgetary control measures (budgetary guidelines and participation, monitoring and performance measures, flexibility and transparency, and training and effectiveness) on the performance of organizations. This questions it as an important question to the policy makers and administrators.

This paper will examine how the budget control will affect the organizational performance of local governments in the Darchula district. The following research questions are intended to give the researcher results:

- i. How far is the utilization of budget control (Budgetary guidelines and participation, monitoring and performance measure, flexibility and transparency in budget, training and effectiveness of budget) by local government in Darchula district?
- ii. What are the roles of budget control of local government in Darchula district?
- iii. How do budget control impact on organizational performance of local government in Darchula district?

- iv. How do budget control and employee motivation both impact the organizational performance of local government in Darchula district?

Literature Review

This section is a review of the theoretical and empirical literature on the area, existing gaps in research and study conceptual framework.

Theoretical Perspectives

The theoretical review is based on the Self-Determination Theory (SDT) and Motivation Crowding Theory (MCT).

Self-determination Theory

Self-Determination Theory (SDT) is a theory of human motivation that was created by the authors Edward L. Deci and Richard M. Ryan in the mid-1980s. It emphasizes the self-motivation and self-determination. According to SDT, people possess three fundamental psychological needs, namely autonomy, competence, and relatedness. These requirements are essential to promote psychological development, intrinsic motivation and well-being. They provide this idea in their 1985 book *Intrinsic Motivation and Self-Determination in Human Behavior*.

Autonomy enhances intrinsic motivation since it motivates people to do things according to their interests and not because of external forces. Competence is associated with an individual feeling of effectiveness in doing things which results in feelings of mastery and success. Relatedness indicates the necessity to establish positive relationships with other people that increase the sense of belonging and social satisfaction.

Employees can be motivated to work harder and their performance can be enhanced in case budget controls make them confident in their ability as they gain clear feedback on their performance and at the same time retain their sense of autonomy (Gagné and Deci, 2005). Nevertheless, budget controls may be restrictive to an extent of hindering autonomy and intrinsic motivation, a factor that has adverse effect on long term organizational performance (Deci and Ryan, 1985).

There are intrinsic and extrinsic motivation among employees. Internal influences that result in intrinsic motivation include curiosity and a wish to master, which is centered on enjoyment of the activity. The Self Determination Theory (SDT) has it that intrinsic motivation is essential in promoting creativity, tenacity and the overall well being of employees, which eventually enhance the performance of the organization.

Motivation Crowding Theory

The Motivation Crowding Theory (MCT) is an economics and psychology concept that examines the influence of extrinsic interventions on intrinsic motivation. The theory first started in the 1970s and 1980s when Edward Deci experimented on the effects of

monetary rewards on intrinsic motivation. Frey and Jegen developed the theory in 1990s and came up with the concept of the crowding out, which explains how financial rewards may reduce intrinsic motivation in social and civic contexts. The article by Frey and Jegen (2001) in the *Journal of Economic Surveys* is a major study on MCT. Also, Bruno S. Frey (1997) wrote a book, *Not Just for the Money*, in which he provided necessary aspects of the theory, talking about intrinsic and extrinsic motivation, and crowding out and crowding in mechanisms.

Budget controls that include determining financial boundaries and control resources have a direct impact on organizational performance as they facilitate resources efficiency. Intrinsic and extrinsic motivation may also be enhanced through the use of budget controls that promote equitable distribution of resources as well as set achievable objectives, which will result in enhancing organizational performance (Frey and Jegen, 2001). Nevertheless, when budget controls are interpreted as limiting or pure cost-reducing procedures, they have a potential of crowding out intrinsic motivation of people reducing employee morale and organizational performance.

The Motivation Crowding Theory (MCT) proposes that organizational performance can be hindered or boosted with the use of external rewards such as pay and promotion. Although extrinsic motivators might boost performance when performing routine activities, as they achieve the expectations of persons outside (Deci and Ryan, 1985; Frey and Jegen, 2001), it may also crowd out intrinsic motivation, thus causing less internal drive, and lower performance in the long run (Frey and Jegen, 2001).

Empirical Review

(Christiansen & Skærbæk, 1997) examined the reaction of various organizational agents to the centralized budgetary control system and the application of centralized budgetary control system to a political game perspective to the performing arts implementation process. The results revealed disagreements and budget games between the management and the Danish treasury department among others. There were two sub-budget games, one was between production planning and artistic freedom, and the other between management and artists where the latter were firmly opposing the new budgeting system. The budget game model demonstrated the effect of power on system implementation and pointed out the issue of introducing management control systems to organizations such as those within the performing arts in which political negotiation and strategy interaction is prevalent.

(Gagne & Deci, 2005) applied Self-Determination Theory (SDT) to the organizational situation in question, in which the authors concentrated on the impact of motivation on performance. The research has focused on the correlation of work motivation and intrinsic and extrinsic motivation with the organizational performance

with the help of empirical research and theoretical analysis. The researchers discovered that intrinsic motivation with the encouragement of positive personnel controls is the key to the continued organizational success. The paper highlights the importance of establishing work conditions that satisfy psychological needs of autonomy, competence, and relatedness that form the core of SDT. This study provides useful information on the integration of theoretical motivation theories and strategies that can be used to enhance performance.

(Georgellis, Lossa, & Tabvuma, 2011) focused on investigating the relationship between external rewards and internal motivation of employees in the public sector. Their research investigated the combined effect of extrinsic incentives and intrinsic motivation on the performance of the public sector through the use of survey and case studies. According to Motivation Crowding Theory, it was established that although intrinsic motivation is the most effective way to perform tasks, illogically structured extrinsic rewards are able to deter it. The paper emphasized the importance of having equal incentive schemes that match intrinsic motivation with organizational objectives to promote efficient administration of the people.

(Adongo & Jagongo, 2013) examined the relationship between budgetary control systems and the financial performance of state corporations in Kenya, using a descriptive survey of 14 entities. The research established a strong association between effective budgetary control particularly the human element such as managerial commitment, and employee participation and better financial results, such as generation of surplus. The result showed that the impact of human factors is the highest. Among the recommendations are raising budget awareness among the staff and minimizing political interference, which can provide insights on how the financial management of the public sector in developing countries happens and how strategic budgetary practices are necessary.

(Merchant & Van der Stede, 2017) focused on the effects of management control systems on the performance of organizations. The research conducted a literature review and case-studies to examine the impacts of management controls, performance measure and incentives to individual and organizational performance. According to the book, which is founded on the Management Control Systems Theory, budget controls are very significant in ensuring that the efforts of employees are in line with organizational objectives. The researchers discovered that effective control systems, which are properly designed, do not only raise accountability but also lead to organizational success through promotion of efficiency and alignment of objectives, which is helpful to scholars and practitioners.

(Johansson & Wennblom, 2023) examined the impact of whether a budgetary control system is perceived as enabling change on the psychological climate of individual

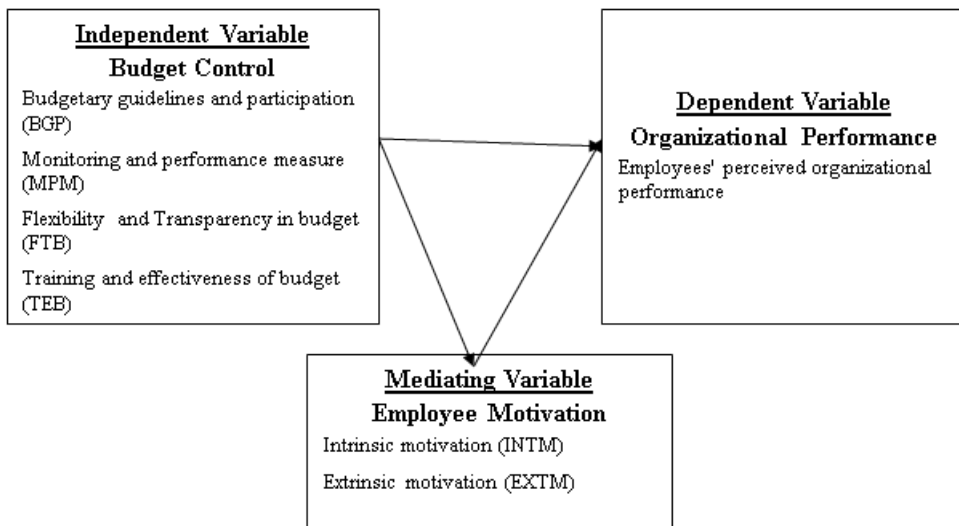
managers. Based on survey data of 211 managers in a Swedish local government organization that was analyzed using structural equation modeling (PLS-SEM), it was discovered that a favorable psychological climate that is characterized by trust and fairness has a major positive impact on the opinion that the budget system empowers. It is necessary to establish a trustful and equitable atmosphere so that lower-level managers would perceive budgetary controls in a positive light this enhances empowerment and minimizes bureaucracy.

The relationship between budget control and organizational performance has already been perused in previous research, most of which is not based in Nepal. There is little study on the interactions between budget control and employee motivation as regards performance and therefore this topic has not been well studied globally and at Nepal. This research fills this gap by exploring the relationship between budget control, employee motivation and organizational performance in the local government of Darchula district thus it is the first and most comprehensive research on this topic in Nepal.

Figure 1 shows this relationship in the form of a conceptual framework.

Figure 1

Conceptual Framework



Based on the conceptual framework, the below constructs are identified:

Budgetary guidelines and participation: This can be defined as the explicit establishment of regulations and procedures that can govern the process of budgeting, as well as the participation of the interested parties at different levels within an organization. The involvement enhances an increase in the ownership and commitment to budget targets, less resistance, and accuracy in budget preparation (Shim and Siegel, 2009).

Monitoring and performance measurement: This is the ongoing monitoring of the actual financial performance as compared to the budgeted performance. This is because this step aids organizations to recognize the variances in time, performance and carry out corrective measures. Measuring performance is essential in making sure that financial resources are utilized effectively, as well as achievement of organizational objectives (Anthony and Govindarajan, 2007).

Flexibility and transparency in budgeting: It implies that budgets can be flexed at the last moment and changed according to the needs or in case of unforeseen occurrences and at the same time, there is transparency in financial reporting. Flexibility is what enables the local governments to act appropriately to the fluctuating circumstances, and transparency is what fosters the trust and accountability of the masses by making the budget information palatable and accessible (Van Helden and Tillema, 2009).

Training and effectiveness of budget control: This brings out the aspect of capacity building of the staff that is concerned with budgeting. Professionally trained staff have a more advantageous position in preparing realistic budgets, effective utilization of control tools and interpretation of financial data. Training enhances the quality and efficiency of budget control system (Seal, 2012).

Intrinsic motivation: Intrinsic motivation is the driving force that causes the employees to carry out the work because it will either interest them, give them satisfaction, or enjoy it as opposed to external rewards. This paper will quantify intrinsic motivation using the Likert scale summative value of the answers obtained by the participants in terms of interest in the work itself, sense of achievement, enjoyment of problem-solving, personal growth and learning, sense of purpose, autonomy in task execution, challenge and mastery and creative freedom.

Extrinsic motivation : Extrinsic motivation would be the aspiration of doing something due to external rewards or the avoidance of punishment as opposed to pleasure to be gotten. The extrinsic motivation is going to be measured in this study by considering the aggregate value of the Likert scale responses of the participants on various factors of financial rewards, recognition and praise, promotion opportunities, avoidance of punishment or negative outcomes, competition with colleagues, job security, team-based rewards, performance-based rewards, and external supervision and monitoring.

Employee-Perceived Organizational Performance: Employee-perceived organizational performance refers to employees' subjective evaluation of how well their organization meets its goals and runs efficiently. This study will measure employee-perceived organizational performance by assessing the combined value of the Likert scale responses from participants on goal achievement and effectiveness, efficiency in service

delivery, public needs and responsiveness, improvement over time, employee productivity and contribution, resource utilization and allocation, quality of services provided, and organizational responsiveness to community needs.

Research Hypotheses

The following hypothesis are tested in the study:

Alternative Hypotheses (H_1)

H1: There is a significant relationship between budget controls and organizational performance

H2: There is a significant relationship between the combine variable of budget control and employee motivation on organizational performance

Methods and Procedures

This study utilized the quantitative approach based on the descriptive and causal-comparative research designs. The descriptive design will explore the level and purpose of budget control in the local government in the Darchula district, whereas the causal-comparative design will be used to discuss the effect of budget control on organizational performance.

The population consisted of all the 9 local governments within Darchula District (2 Municipalities and 7 Rural Municipalities) and had a total of 246 employees. A convenience selection of 150 employees was done using the formula by Yamane, (1967) in the significance level of 5%. The number of questionnaires distributed was 200 and 165 of them were collected and incorporated in the analysis.

A structured questionnaire that included four sections namely; demographic information, budget control elements, employee motivation, and organizational performance was used to collect primary data. The measures of responses were placed on a 7-point Likert scale with 1 (Strongly Disagree) to 7 (Strongly Agree) to obtain the composite scores of each construct that were considered in the further analysis.

Reliability was tested by the use of the Cronbach alpha test. Descriptive statistics such as frequency, percentage, standard deviation and mean were used to summarize sample responses. To analyze the relationship between two variables using bivariate correlation, Pearson correlation was adopted, whereas the effect of budget control and employee motivation on organizational performance was analyzed using multiple regression analysis.

It is constructed and observed that regression equations are used to test the effects of the independent variable on the dependent variables.

Multiple Regression Model- 1: Budget control to organizational performance

$$EPOP_i = \beta_0 + \beta_1 BGP_i + \beta_2 MPM_i + \beta_3 FTB_i + \beta_4 TEB_i + e_i$$

Where,

EPOP = Employee perceived organizational performance

BGP_i = Budgetary guidelines and participation

MPM_i = Monitoring and performance measure

FTB_i = Flexibility and Transparency in budget

TEB_i = Training and effectiveness of budget

β_0 = Constant

β_{1-4} = Coefficient of slope of regression model

e_i = Error term

Multiple Regression Model- 2: Budget control and employee motivation (both) to organizational performance

$$EPOP_i = \alpha + \beta_1 BC_i + \beta_2 EM_i + e_i$$

Where,

EPOP = Employee perceived organizational performance

BC_i = Budget control

EM_i = Employee motivation

α = Constant

β = Coefficient of slope of regression model

e_i = Error term

Ensuring the reliability and validity of variables is essential in research. A measurement scale is considered reliable when respondents' answers are highly correlated; if not, the scale is regarded as unreliable (Hair et al., 2007).

Table 1

Coefficients of Cronbach's Alpha

Variables	No of items	Cronbach's Alpha
Budgetary guidelines and participation (BGP)	6	0.804
Monitoring and performance measure (MPM)	6	0.840
Flexibility and transparency in budget (FTB)	6	0.815
Training and effectiveness of budget (TEB)	6	0.859
Intrinsic motivation (INTM)	5	0.804
Extrinsic motivation (EXTM)	5	0.766
Employee perceived organizational performance (EPOP)	9	0.863

Overall	43	0.948
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Source: Computed from the primary survey

The internal consistency of the budget control tools questionnaire was satisfactory with Cronbach alpha coefficients of the various categories between 0.766 and 0.863 which was above the 0.7 standard. The composite alpha of 0.948 means that the tools are good and fit to measure budget control (Nunnally, 1978).

Results and Discussion

Data analysis is a very important process of the research. Every piece of information found is scrutinized logically concerning the predetermined objectives and hypotheses of the study.

Table 2

Descriptive Analysis of Demographic Information

Gender-wise Classification of the Respondents		
Gender	Frequency	Valid Percent
Male	128	77.60%
Female	37	22.40%
Total	165	100
Age-wise Classification of the Respondents		
Age Group	Frequency	Valid Percent
Below 25	7	4.20
25-35	74	44.80
35-45	52	31.50
45-55	29	17.60
Above 55	3	1.80
Total	165	100
Educational Qualification of the Respondents		
Educational Level	Frequency	Valid Percent
SLC/SEE	5	3.0
Proficiency Certificate Level/10+2	38	23

Bachelor	62	37.60
Masters	60	36.40
Total	165	100

Years of Experience of the Respondents

Work Experience	Frequency	Valid Percent
0-4	36	21.8
5-9	63	38.20
10-14	28	17
15-19	9	5.5
20 years & above	29	17.6
Total	165	100

Religion of the Respondents

Religion	Frequency	Valid Percent
Hindu	163	98.80
Islam	2	1.20
Total	165	100

Source: Computed from the primary survey

The demographics of the respondents (165) include a large percentage of males (77.6%), with the greatest percentage of age 2535 years (44.8%). Majority of the respondents are well-educated with 37.6% having a Bachelor degree and 36.4% Master degree qualification. The majority (38.2) of the work experience is 5-9 years, and most of the respondents are Hindu (98.8), with only a minor (1.2) number of Muslim respondents.

To conclude, the participants are mostly middle-aged, well-educated, male, and moderately experienced, with most of them identifying themselves as Hindu. This population sample will be very valuable in the interpretation of the findings of the study.

Utilization of Budget Control in Local Government

Table 3

Mean and Standard Deviation of Budget Control Dimensions

Variables of budget control	N	Mean (Test value:4)	S.D
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Budgetary guidelines and participation (BGP)	165	5.5232	0.7262
Monitoring and performance measure (MPM)	165	5.4929	0.8069
Flexibility and transparency in budget (FTB)	165	5.2525	0.9000
Training and effectiveness of budget (TEB)	165	5.5556	0.7947

Source: Computed from primary survey

The table 3 is the table that shows the budget control practices in the local government in Darchula district. The average values lie between 5.2525-5.5556 and standard deviation between 0.7262-0.9000. The mean value of all the budget control variables are above test average value 4 that denote sufficient level of budget control system practices of the local governments.

Role and Significance of Budget Control in Local Government

Table 4

Mean Rank for Most Significant Variable of Budget Control

Variables of budget control	N	Mean	S.D	Test value: 4		Mean rank
				t-value	P value	
Budgetary guidelines and participation (BGP)	165	5.5232	0.7262	26.942	0.000**	II
Monitoring and performance measure (MPM)	165	5.4929	0.8069	23.764	0.000**	III
Flexibility and transparency in budget (FTB)	165	5.2525	0.9000	17.875	0.000**	IV
Training and effectiveness of budget (TEB)	165	5.5556	0.7947	25.143	0.000**	I

Source: Computed from primary survey

Note. ** Represents a 5% level of significance

Table 4 demonstrates that budget control plays an important role in local government with mean values of all variables exceeding the test value of 4 and being significant at 5% level. The most essential factor (Mean = 5.56) was training and effectiveness of budget, and the close next were budgetary guidelines and participation (Mean = 5.52), and the significance of involving staff and providing specific procedures. The third and fourth highest mean was monitoring and performance measurement (Mean = 5.49) and the last mean was flexibility and transparency (Mean = 5.25) yet significant.

In general, the results show that a strong budget control system has a strong impact on the effectiveness of organizations and quality of the public services provision in the local government of Darchula district.

Normality Test

Table 5

Normality Test (Using Skewness and Kurtosis)

Variables	N	Skewness Statistic	Kurtosis Statistic	Remarks
Budgetary guidelines and participation (BGP)	165	-0.055	-0.225	Normally distributed
Monitoring and performance measure (MPM)	165	-0.531	0.413	Normally distributed
Flexibility and transparency in budget (FTB)	165	-0.405	0.026	Normally distributed
Training and effectiveness of budget (TEB)	165	-0.698	1.626	Normally distributed
Intrinsic motivation (INTM)	165	-0.458	-0.121	Normally distributed
Extrinsic motivation (EXTM)	165	-0.646	-0.181	Normally distributed
Employee perceived organizational performance (EPOP)	165	-0.429	-0.309	Normally distributed

Source: Computed from primary survey

Note. ** Represents a 5% level of significance

Table 5 demonstrates that the distributions of variables connected with the budget control and organizational performance are very similar. Skewness scores are found between +1 and -1 and kurtosis score is between +3 and -3 which means that there are no extreme peaks and tails (Kim, 2013). Thus, it can be assumed that all variables are normally distributed, and it is possible to engage the use of parametric statistics, including correlation, regression, and ANOVA, to evaluate the budget control and organizational performance in the local government.

Multicollinearity Test

Table 6

Multicollinearity Test(Using VIF and Tolerance value)

Variables	Tolerance value	VIF	Remarks
Budgetary guidelines and participation (BGP)	0.421	2.374	There is no multicollinearity problem
Monitoring and performance measure (MPM)	0.414	2.415	There is no multicollinearity problem
Flexibility and transparency in budget (FTB)	0.462	2.164	There is no multicollinearity problem
Training and effectiveness of budget (TEB)	0.422	2.367	There is no multicollinearity problem
Intrinsic motivation (INTM)	0.492	2.031	There is no multicollinearity problem
Extrinsic motivation (EXTM)	0.535	1.868	There is no multicollinearity problem

Source: Computed from primary survey

Note. ** Represents a 5% level of significance

Table 6 results of the multicollinearity test show that all Tolerance values exceed 0.1 and VIF values are less than 10, which suggests the absence of the problem of multicollinearity (Gujarati and Porter, 2009; Hair et al., 2010). This makes the regression models that are being used to analyze the budget control and organizational performance to have stable and interpretable results.

Relationship of budget Control and Organizational Performance in Local Government

Table 7

Correlation between Personnel Control and Organizational Performance

Personnel control	Employee perceived organizational performance	Remarks
Budgetary guidelines and participation (BGP)	Pearson correlation 0.718** P value 0.000	Moderate to strong correlation Significant

Monitoring and performance measure (MPM)	Pearson correlation	0.663**	Moderate to strong correlation
	P value	0.000	Significant
Flexibility and transparency in budget (FTB)	Pearson correlation	0.504**	Moderate correlation
	P value	0.000	Significant
Training and effectiveness of budget (TEB)	Pearson correlation	0.568**	Moderate correlation
	P value	0.000	Significant

Source: Computed from primary survey

Note. ** Represents a 5% level of significance

Table 7 shows the overall budget control is correlated with the perceived organizational performance in employees ($p = 0.000$). The strongest correlation is between budgetary guidelines and participation ($r = 0.718$), then monitoring and performance measurement ($r = 0.663$), meaning that the engagement of employees and the systematized control positively contribute to the perceived performance. Budgets effectiveness ($r = 0.568$) and flexibility and transparency ($r = 0.504$) have moderate positive associations indicating that they are supportive but not as manifest. In general, the effectiveness of budget control practices well-organized, in particular, participation, performance tracking, can have a beneficial effect on the employee attitude to the organizational performance.

Impact of Budget Control on Organizational Performance in Local Government:

Hypothesis Testing

H1: There is a significant relationship between budget controls and organizational performance

Table 8

Model Summary of Budget Control on Employee Perceived Organizational Performance

Model	R	R Square	Adjusted R Square	F value	p-value
1	0.767 ^a	0.589	0.578	57.221	0.000 ^{b**}

Source: Computed from the primary survey

a. Dependent Variable: Employee Perceived Organizational Performance

b. Predictors: (Constant), Workplace_policies_socialization, Recruitment_training, Employee_retention_promotion, Monitoring_organizational_culture

Note. **Represents a 5% level of significance

The regression of the budget control on the employee-perceived organizational

performance is given in Table 8. The relationship between the two models is moderate to strong positive ($R = 0.767$; $F = 57.221$, $p < 0.05$), which means that the null hypothesis is rejected and alternative accepted at the 5 percent level of significance. These findings indicate that the overall effects of the budget control mechanism on the perception of organizational performance of the employees in Darchula district local government are moderate.

The R-squared (0.589) of the dependent variable employee-perceived organizational performance means that budgetary guidelines and participation (58.9 percent) are the most influential independent variables in determining the employee-perceived organizational performance. The rest of 41.1 percent is attributed to other elements. The regression model is significant at the 5 per cent level ($p = 0.000$), which proves the reliability of the regression model.

Table 9

Coefficients of Budget Control Dimensions and Organizational Performance

	Unstandardized Coefficients		Standardized Coefficients	t value	p value
	B	Std. Error	Beta		
(Constant)	0.980	0.314	-	-	-
Budgetary guidelines and participation (BGP)	0.458	0.074	0.452	6.175	0.000
Monitoring and performance measure (MPM)	0.218	0.069	0.239	3.144	0.002
Flexibility and transparency in budget (FTB)	0.092	0.057	0.112	1.603	0.111
Training and effectiveness of budget (TEB)	0.080	0.071	0.086	1.126	0.262

Source: Computed from the primary survey

a. Dependent Variable: Employee Perceived Organizational Performance

From the results, the estimated equation is derived from model-1:

$$EPOP_i = \beta_0 + \beta_1 BGP_i + \beta_2 MPM_i + \beta_3 FTB_i + \beta_4 TEB_i + e_i$$

$$\text{Therefore, } EPOP_i = 0.980 + 0.458 BGP_i + 0.218 MPM_i + 0.092 FTB_i + 0.080 TEB_i$$

The analysis shows that there is the most significant positive impact on employee-perceived organizational performance on budgetary guidelines and participation ($\beta = 0.458$, $p = 0.000$). Monitoring and performance measure also have a positive effect on the performance ($\beta = 0.218$, $p = 0.002$). There is weak and insignificant impact on flexibility

and transparency (0.092, p = 0.111), and training and effectiveness of budget (0.080, p = 0.007).

In conclusion, the regression analysis shows that budgetary guidelines and participation and monitoring and performance measurement are the most significant positive predictors of employee-perceived organizational performance, underscoring their key role in budget control. In contrast, flexibility and transparency and training and effectiveness of budget do not have significant effects, indicating that other factors may more strongly influence organizational performance in the local government of Darchula district.

Impact of Budget Control and Employee Motivation both on Organizational Performance in Local Government: Hypothesis Testing

H2: There is a significant relationship between the combine variable of budget control and employee motivation on organizational performance

Table 10

Model Summary of Budget Control and Employee Motivation on Employee Perceived Organizational Performance

Model	R	R Square	Adjusted R Square	F value	p-value
2	0.778 ^a	0.605	0.600	124.051	0.000 ^{b**}

Source: Computed from the primary survey

c. *Dependent Variable: Employee Perceived Organizational Performance*

d. *Predictors: (Constant), Employee_motivation, Personnel_control*

Note. ****Represents a 5% level of significance**

The regression analysis of the effects of budget control and employee motivation on the employee-perceived organizational performance is given in Table 17. The relationship between the two is strong (R = 0.778; F = 124.051, p < 0.05) and the p value is 0.000, which causes the null hypothesis to be rejected on the 5% level. This means that the budget control and employee motivation are strongly positively related to the perception of employees towards organizational performance in the local government of Darchula district.

The value of the R-squared of 0.605 shows that budget control combined with employee motivation can explain 60.5 percent of the change in the perceived performance of employees in the organization and that the remaining 39.5 percent is explained by other factors. The regression model is found to have a significant value of 5% (p = 0.000), which is to the affirmation that the regression model is reliable.

Table 11

Coefficients of Budget Control and Employee Motivation with Employee Perceived

Organizational Performance

	Unstandardized Coefficients		Standardized Coefficients	t value	p value
	B	Std. Error	Beta	-	-
(Constant)	0.416	0.336			
Budget control (BC)	0.616	0.064	0.562	9.610	0.000**
Employee Motivation (EM)	0.320	0.059	0.315	5.394	0.000**

Source: Computed from the primary survey

a. Dependent Variable: Employee Perceived Organizational Performance

Note. **Represents a 5 % level of significance

From the above results, the estimated equation can be written by taking the values from the model-2: $EPOP_i = \alpha + \beta_1 BC_i + \beta_2 EM_i + e_i$

Therefore, $EPOP_i = 0.416 + 0.616 BC_i + 0.320 EM_i$

Table 11 indicates the regression coefficients of the budget control and employee motivation effects on the perceived organizational performance of employees. The positive effect of budget control is the strongest ($\beta = 0.616$, $p = 0.000$) meaning that one unit increment in budget control will increase performance scores by 0.616. There is also a significant positive impact ($\beta = 0.320$, $p = 0.000$) of employee motivation with performance improving by 0.320, which is a moderate but significant contribution to the improvement of the organization performance.

Conclusively, the analysis shows that both the budget control and employee motivation play a major role in employee-perceived organizational performance with structured budget control being more powerful. In the bid to improve performance, organizations need to create equilibrium in implementing effective budget control mechanisms and motivational initiatives which encourage employee involvement, employee output and the overall organizational performance.

Results and Discussion

The results of this research offer profound information about the effects of budget control on organizational performance of the local government at the Darchula district. The findings establish that the budget control system, especially budgetary guideline and participation and monitoring and performance measure are very important in improving organizational performance.

The research establishes the efficiency of the budget regulating systems within the local government institutions. This is evidenced by the fact that all the budget control

variables have a mean above the 4 test average and this demonstrates an overall healthy use of fiscal control mechanisms. Of them, training and effectiveness of budget control were the most important dimensions (mean = 5.5556), which means that the local governments are prioritizing the idea of capacity building and practical results in budget management.

The tests of reliability and validity also enhance the strength of the research. The values of Cronbach alpha were all greater than the 0.70, which is the satisfactory internal consistency level (Nunnally, 1978). Also, the data satisfied major assumptions of regression analysis: the variables were normally distributed, skew values were between ± 1 (Kim, 2013), and multicollinearity was not a problem because tolerance values were greater than 0.1 and VIF values were lower than 10 (Gujarati and Porter, 2009; Hair et al., 2010).

The regression analysis established the overall model to be significant at 5 percentage level ($p < .05$), indicating that the budget control dimensions do have a significant influence on the performance of a given organization. A positive correlation to a moderate extent was established among budget control and employee-perceived organizational performance where 58.9% of the variation in performance was explained solely by the use of budget control dimensions. This observation is in line with what previous studies have pointed out using fiscal discipline and participatory budgeting as key components of improving institutional performance (Simons, 1995; Hansen et al., 2003).

To be more precise, the budgetary rules and involvement, as well as monitoring and performance measurement, have proven to be the most important predictors of organizational performance. These findings confirm the theoretical assumption that transparency, responsibility and employee participation in budget processes are some of the drivers of organizational effectiveness (Anthony and Govindarajan, 2007).

In addition to this, the model also found that the explanatory power rose to 60.5 with the addition of employee motivation, which shows the synergistic relationship between motivation and budget control on performance. This further makes the case that technical mechanisms like budgeting should be reinforced with humanistic aspects like motivation in order to attain the best performance results (Herzberg, 1966; Locke and Latham, 2002).

Lastly, this paper indicates the importance of proper budget control mechanisms and motivation of employees in improving the perceived performance of local government institutions. Although the current systems might seem sound, they can be improved regarding the promotion of diversity and equity in staffing. The policy measures that should be implemented in future are inclusive recruitment practices, continuous training, participative budget preparation, and involvement of employees engagement

strategies to further boost the organizational performance of the Darchula district local government.

Conclusion

In this study, it has been concluded that budget control systems are relevant in influencing the performance of the local government within Darchula district. The results indicate that the budget control is widely being exercised and it plays a substantial role in the improvement of the organizational performance and delivery of services to the citizens. Some of the dimensions that proved to be the strongest in motivating the employee-perceived organizational performance included budgetary guidelines, and participation, monitoring, and performance measures. Budgeting flexibility and transparency, training and budget effectiveness were also positively correlated, but they were found to have less significant impacts. The findings were valid, as all the normality and multicollinearity assumptions were met. Also, regression analysis indicated that the joint impact of budget control and employee motivation exhibits a significant amount of variance in organizational performance and showed that they are synergistic in promoting efficiency and accountability at the local governance.

According to the results of the study, it is possible to suggest some policy recommendations to adjust the budget control practices and increase the performance of the organization in the local governments of the Darchula district. To begin with, participation budgeting, achieved through institutionalizing it through the engagement of employees and other stakeholders can build ownership and alignment with organizational objectives. In order to have accountability and transparency, standardization of monitoring and performance measurement frameworks is necessary. Although training had limited statistical influence, it ranked highly among the respondents, which portrays that there is need to engage in continuous capacity building in budgeting and financial management. Civic trust and oversight can be increased by increasing the transparency of the budget in areas such as civic disclosure and online portals. The fiscal governance must be incorporated in motivation of the employees by using performance-based incentives and recognition schemes.

The contribution of future research to the present study might be to study the effects of budget control systems in other government sectors or other geographical areas and to also include qualitative data to understand the perceptions and experiences of employees in greater detail.

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