FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF NON-COMMERCIAL SEMI-AUTONOMOUS GOVERNMENT AGENCIES IN SOCIAL PROTECTION SECTOR IN KENYA

BY

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DECLARATION

I hereby declare that this research project is my original work and to the best of my knowledge, has not been submitted for a degree or award to any other university or other institutions of learning for examination purposes.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This research project is dedicated to my dear my wife Queen and also my children Jude, Mark, and Mercy for their ever prevailing moral and spiritual morale towards fruitful progress so far. I owe you a thank you note.

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ABBREVIATIONS AND ACRONYMS

A.I. A	Appropriation in Aid
ANOVA	Analysis of Variance
CBD	Central Business District
CEO	Chief Executive Officer
FE	Fixed Effect
FY	Financial Year
GDP	Gross Domestic Product
GMM	Generalized Method of Moment
GST	General System Theory
ICS	Internal Control Systems
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRA	Insurance Regulatory Authority
IFMIS	Integrated Financial Management Information System
KENAO	Kenya National Audit Office
KMC	Kenya Meat Commission
KPLC	Kenya Power and Lighting Company
KRC	Kenya Railway Corporation
MDA	Ministries, Department and Agencies
NACOSTI	National Commission for Science, Technology, and Innovation
NG	National Government
NSE	Nairobi Stock Exchange
OAG	Office of the Auditor General
PFM	Public Finance Management
RBA	Rwanda Broadcasting Authority
RE	Random Effect
ROA	Return On Assets
ROE	Return On Equity
ROI	Return On Investment
SAGA	Semi-Autonomous Government Agencies
SOE	State Owned Enterprises
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
TSA	Treasury Single Account

OPERATIONAL DEFINITION OF TERMS

Financial Performance	Financial performance is the actual output or productivity related to the specific set financial goals and objectives over a given period in terms of budget absorption rate.
Budget Management	Budget management ids the process of decision making on how to allocate financial resources for the departments/or sections of the organizations anchored on the finances available for the SAGA organization.
Financial Controls	Financial controls are the set procedures, directions and protocols to be followed to ensure that the budget laid down is achieved by the SAGA organizations.
Financial Management Practices	generally, refers to the process of acquiring financial resources as well as the systems put in place to enhance the financial health of non-commercial semi-autonomous government agencies entities.
Funding Practices	is the process of financing semi-autonomous government agencies (SAGA) activities, acquisitions of goods and services, and investment decisions through various identified financing sources.
Semi-Autonomous government Agencies, Kenya	Semi-Autonomous government agencies are government agencies created by parliamentary legislation to deliver or carry out oversight or operational functions on behalf of the government.

ABSTRACT

The conceptual association between financial management practices and financial performance amongst many government agencies both in developed and developing economies remain unresolved up to date. This study sought to evaluate the influence of budget management on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya, to examine the influence of financial controls on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya and to evaluate the influence of funding practices on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya. This study is underpinned by three theories namely goal setting, contingency, and agency suppositions. Descriptive survey research methodology was adopted. The population size was 19 non-commercial SAGAs under social protection sector in Kenya. Data was collected from the corresponding 19 senior officers, namely, chief finance officers or/and chief accountant whereby structured questionnaires were utilized. Data was analyzed using inferential approach, namely multiple regression. It was found out that budget management, financial controls and funding practice have a positive influence on the performance of SAGAs in Kenya. This study recommends that budget management in relation to enhancing the performance and operations of SAGAs be embraced by all government agencies. This is because from the study, budget management acted as a control tool to keep the Agencies on track. Secondly, the SAGAs need to put in place strong internal controls to ensure that the funds received and operations of the Agencies are well monitored. This is because from the study, it was determined that SAGAs that embraced financial controls, had a monitoring team to monitor progress of projects and regularly undertook cost-benefit analysis on projects which led to enhancement in performance. Thirdly, the SAGAs need to undertake funding practices and benefits realized from previous grants received from donors. This will enable SAGAs expand their operations and have a good structure in place thus leading to improvement of performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study.

Non-commercial Semi-Autonomous Government Agencies (SAGAs) in Kenya positively contribute to economic growth since they are drivers and enablers under Sustainable Development Goals towards attainment of the UN goals 2063 and the Kenyan government's big four Agenda (International Monetary Fund, 2018). Generally, across economies, performance of government agencies whether commercial or non-commercial is key and relative to the quality and timeliness of service delivery to the citizens. Most public entities across the globe have presented poor financial performance, compared to private entities, and this has generally been attributed to the various financial management practices adopted. In this regard, to attain excellent financial and organizational performance, public institutions are obligated to enhance their financial management practices such as internal controls systems, budget management controls systems, risk management controls and operational management controls (Muhunyo and Jagongo, 2018).

Financial management practices relate to the manner in which government institutions apply their financial resources through the budget systems. In this regard, it can therefore be inferred that financial management practices are a key driver by which governments and organizations implement policy guidelines to aid in achieving their economic as well as operational objectives (Andrews et al. 2014). It is designed to fulfil fundamental goals such as ensuring prudence in application of government revenues to the most productive areas of the economy and identifying sustainable and regular revenue streams for service delivery. At the same time, financial management practice focuses on operational and allocative efficiency in order to ensure that entities operate at optimal cost and allocate resources to priority areas of government functions (Moritz and Pia Schneider, 2018). Well-functioning management practices around finances is the backbone for prudent utilization of public assets and effective organizational performance. Aggregate fiscal discipline involves prudently matching aggregate revenues and expenditures, to ensure sustainable and regular revenue streams for organizations operation. Operational and allocative efficiency involves maintaining cost at possible minimum level, while apportioning resources in accordance with government priorities.

Notably, countries across the world are at different stages in developing and implementing effective financial management systems. In Brazil, USA, India, UK and Canada, key financial control systems have yielded enhanced profitability through enhanced working capital control tools such as cash-flow management as well as financing structures development. In Kosovo a review of the development of financial management practices in government agencies has shown that the implementation of systems of control in budget organizations is not in tandem with the development of the general legislative framework (Ujkani 2019).

Regionally past studies have shown dissimilar and controversial results. For instance: in Nigeria, the tools for management of finances have helped to positively impact on the performance in terms of financial deliverable of state agencies. Further, government agencies' financial controls have impacted on the economic growth of a nation especially when revenues allocation and expenditure are matched. More so, where adequate resources are allocated to development projects, unlike recurrent ones (Kanu Ikechi *et al* 2019). In this regard, governments must examine their financial estimations and focus on priority areas while emphasizing the need for controlled recurrent spending, improved transparency, and accountability in a bid to improve performance of government agencies. In Ghana, budget management in government agencies has been practiced, and this has proved that the development of budget plans, monitoring, controlling, coordination and evaluation of the same is a key part in financial operations of government agencies. (Agbenyo, Danquah, and Shuangshuang 2018) In Rwanda, financial controls such as budgetary controls, financial reporting, and cost controls have proved to positively influence Rwanda Broadcasting Agency's performance (Mukakibibi 2020).

In South Africa, a study of the South Africa Revenue Service (SARS) where some autonomy over personnel management was granted to modernize its personnel system indicated that this led to improved tax collection. In Uganda, tax collection through Uganda

Tax Authority after its autonomy grant portrayed improvement in public performance whereby the corresponding financial cost of tax collection decreased (taking 2% as the benchmark) (Banerjee, 2022) . In Ethiopia, the government recognized internal audit as a key contributor in financial functioning of government entities in the country. This is due to the critical role of the government agencies in economic development in the country (Chepkonga, 2018).

In Kenya, similar studies undertaken with financial management practices being incorporated in the study and using diverse measurements to predict financial performance have shown that financial controls influence financial performance of state agencies. For instance, asset, accounting, audit, and budget controls have proved to positively influence the financial functioning of government owned sugar companies (Wanyama, Okello and Otinga, 2019). Further study at Kenya Rural Roads Authority has portrayed those financial controls such as budgeting, financial reporting, internal control systems, cash management and application of technology impacted positively on performance of public entities. (Kamau, 2019).

In another study, conducted by Waweru, (2019) to interrogate the contribution of financial controls profitability of government-business entities in Kenya, it was examined and concluded that aspects of internal controls, developing budgets plans, reporting, and managing risks to a great extend affects the financial outcome of state-business enterprises. In Nyeri Kenya, Wairimu (2020) purposed to examine the function that management systems around finances play in the development of government hospitals within the County of Nyeri. The research focused on financial management practices features of budget processes, internal controls practices, financial monitoring, and waivers. The researcher targeted four county hospitals in Nyeri and showed that there has been an increased operational cost in most of the hospitals. Further, the study discovered delays before the budget is approved as well as disbursement of funds and this impacted the financial results in these hospitals. Further, the research noted inadequate revenue controls and poor coordination. It further indicated that financial monitoring procedures are difficult to adhere to and not very clear to all the staff.

Government Agencies including Non-commercial Semi-Autonomous Government Agencies in Kenya are financed through the government budget process whose underlying structures include the Medium-Term Plan and Medium-Term Expenditure Framework. (GoK 2017). The existing government policies on macro and micro-economic indicators have always been characterized by fluctuating economic performance resulting to scarce resources which necessitate public entities both commercial and non-commercial to adopt operational and financial management systems which optimize the application of funds to reap maximum benefit in terms of service delivery (International Monetary Fund 2018). The government has obligated each government agency including non-commercial semi-autonomous government agencies to enter into performance contract with the state via respective organs government arms, and sections so as to ensure effective service delivery and prudent and efficient resource utilization. (Center for Economic Governance, 2018) .

The non-commercial SAGAs in Kenya control over 30% of the Kenya's total budget and hence a sector that cannot be ignored (Jason Lakin, 2014). In delivering their legislative mandate, SAGAs in addition to government grants generate their own source funds such as other donor funding, as well as revenues generated from their operations (A.I.A). Others engage in public private partnership programmes to accelerate economic growth (Planning, 2021). These agencies have made notable efforts to improve on their operations such as automating processes, putting in place internal audit division, enhancing fiduciary oversight through board committees, designing and implement efficient internal controls, putting in place budget management mechanisms among other financial management practices (Kamau, 2019). However, these practices have not yielded the full realization of effective financial and organizational performance as envisaged in their performance contracting agreements with the government through the line Ministries and National Treasury.

1.1.1 Financial Performance

This is the indicator which measures the level at which organizations achieve their business goals. (Muiruri, Wepukhulu, 2018). It also denotes the yardstick with which the outcome of firm strategies, policies, and operations are measured. Such outcomes represent the organization's earnings after tax expressed in terms of total assets and average investments respectively (ROA and ROI). Adams and Juma et al (2019) has indicated that financial performance is the final results arising from the application of the assets of an organization to generate revenues during its ordinary operations. (Juma Andrew Muriayi, 2019)

In this regard, the aggregate performance level of a firm is gauged using financial performance over a particular duration of time and is useful for analyzing the performance outcome of varied organizations within the same field of operation. Generally speaking, the aspect of productivity in terms of financial performance is the proxy utilized to measure the varied range of financial performance posted by an entity over a given duration to facilitate comparison with the results of similar firms in the same industry within the same period. In addition, the prevailing performance levels indicate the journey towards growth and success of a firm (Waweru, 2018). There exists no universally agreed upon measure of financial performance of a firm. The measurement dimensions are diverse such as accounting, market or non-financial based (Kithandi, 2022)

Financial performance of organizations therefore is measured in different forms such as revenues generated from operations, profits or surplus after tax, operating income, as well as cash flows generated from operations and in this case for noncommercial government agencies, it is mostly determined by improved performance ranging from improved revenue generation as well as complete absorption of disbursed funds in furtherance of their operations as well as effectiveness in project's implementation (Namusonge, Cheruiyot, & Sakwa, 2018).

Since non-commercial entities focus on service delivery unlike commercial entities whose goal is maximization of profit, the application of ROA, ROE, and ROI would apply for commercial entities but a more relevant measure for financial performance is needed. In this regard, budgetary absorption rate compares the application of government transfers to the individual entities in terms of total expenditure against total receipts. The current study adopted financial performance indicators associated to the extent to which spending is carried out as per the appropriations and absorption of disbursed funds as used by (Kibunja, 2017 and Wachira, 2018). Therefore, absorption rate is an appropriate measure of financial performance of the non-commercial semi-autonomous government agencies in Kenya.

1.1.2 Financial Management Practices

The subject matter of financial management practice consists of the strategies applied by an organization to obtain finances, and the tools used to ensure improved financial performance. It encompasses safeguarding and managing the financial assets and financial obligations of an organization to ensure that the required liquidity is maintained at all times. (Nthenge & Ringera, 2017) Also, Kilonzo *et al* (2015) defined the practices involving financial management as the control elements or actions that in all ways affects a company's finances, and all which is required to ensure an organization attains its overall purpose. Such aspects of management comprise of liquidity management decisions, capital investment decisions, financing structure decisions, accounting and financial reporting structures. Further, Alhassan, Erasmus, and Portia, (2018) and Anangwe and Malenya, (2020) attest to that definition for they supposed that financial management practices compose of practices regarding management of working capital, share capital and debt structures, accounting information systems not withstanding appraising of capital projects and prudent application of fixed assets.

Further, the practice associated with financial management is an important component of every enterprise, whether profit making or not. It is the pivot almost all institutions, and it affects the operation of each entity (Nthenge & Ringera, 2017). According to The Treasury, (2012), financial management practices underpin good governance. This is achieved by ensuring that interested parties are able to comprehend and influence the extent to which an organization plans and utilizes finances. In practice, this signifies that data is provided promptly, to the targetted parties (the supply side) to aid in controlling and directing the organization (the demand side). It comprises of budget management, financial controls, and funding practices. This study focused on budget management, financial controls, and funding practices to gauge financial management practices.

Budget management is a tool constituting the development of financial or a quantitative statement by an organization or individual and authorized by the management before the beginning of a definite period to guide the organization to attain a given organizational goal (Ngumi & Njogo, 2017). It entails the identification of revenue sources and distributing identified resources to the priority functions and activities upon determining value for money. The foundation to budget management involves comprehension of funding sources, determining the intended deliverable, and aligning these to strategic objectives while monitoring compliance to government legislation's, policies and procedures and timelines. (The Treasury, 2012). Budget management is deemed effective if and when sustainable sources of revenues are identified and directed to expenditures that align to the strategic priorities (Wamiori, 2020). In the proposed study, budget management was measured using budget formulation, budget execution and budget controls.

Financial control on the other hand describes the control function through which the resources of an organization are prudently and effectively applied to attain efficient financial and organizational performance. (Safia Mohamed Ngazi, 2019) Ashalatha, (2008) defined financial controls as the activities involving the management and oversight the preparation and generation of credible and authentic reports and financial statements that have the capacity to provide insightful information necessary for influencing decision making while at the same time complying to statutory and legislative frameworks governing financial management. Treasury & Planning (2022) further defined financial control as the methods, policies, and procedures that minimize exposure to risks, and provide assurance that financial resources are monitored, recorded, and applied effectively to the most productive areas of the organization. It consists of identifying and mitigating organizational inherent risks and identifying inherent costs. Ideally, financial controls encompass the need to evaluate the requirements of different agencies in government and oversight bodies like parliament, executive, legislature, office of the auditor general, National treasury among others. The current study focused on financial control as measured by financial accounting, financial reporting, and financial analysis.

Funding practices refers to the process of financing business activities, acquisitions of goods and services, and investment decisions through various identified financing sources (Hayes 2021). Funding practices by the government cut across many dimensions ranging between grants having conditions attached and grants with no conditions, to contracts that are highly specialized in nature. Generally, assistance in the form of grants whether it is support inform of equipment's, in-kind or in monetary form is intended to enhance organizations performance by infusing resources to ensure efficiency and effectiveness in service delivery. While governments worldwide look upon other created bodies to deliver services on their behalf to achieve certain policy objectives, external donors and other implementing and operating partners have the capacity to resolve some of the societies challenges that have persistent for ages through national and county governments. In the last decade for instance, donors such as New Zealand have pumped close to $3billion per annum towards health care services, mental health, child protection, environmental conservation, sporting activities and preservation of heritage. Such grants have ranged within a continuum of services that are highly specialized in nature to aids geared towards collaborative partnerships to facilitate service delivery and support societal services (Ministry of Economic Development, 2010). In Kenya, government funding reaches various arms such as state agencies and, in this study, the perspective was measured using level of transfers, grants and donor funding.

1.1.3 Non-commercial Semi-Autonomous Government Agencies under the Social Protection Sector in Kenya

Semi-Autonomous government agencies are government agencies created by parliamentary legislation to deliver or carry out oversight or operational functions on behalf of the government. They are grouped into either business-oriented SAGAs or social service entities with no commercial orientation. While commercial semi-autonomous agencies are GBEs formed to carry out business with a profit motive, non-commercial semi-autonomous government agencies have no profit-making motive but focus on service delivery. (Treasury& Planning, 2022).

The social protection sector comprises six State Departments, one Autonomous Agency, and nineteen SAGAs. The sector has a wide mandate comprising promoting and exploiting Kenya's diverse culture, art, and preserving the countries heritage, regulating the development, and promoting sports, promoting harmonious industrial relations, ensuring, and maintaining safety and healthy in organizations, and health at workplace, promotes employment, industrial training, regulates trade, social security, street children care as well as people with disability among others. It also aims at end hunger through special programmes and food relief aids Programme. (Semi-Autonomous Government Agencies within the sector are detailed in Appendix V).

1.2 Statement of the Problem

Semi-Autonomous Government Agencies (SAGAs) under social protection sector immensely contributes towards Kenya's transformational and economic growth. For instance, the sector refurbished and rehabilitated one national stadia and three regional stadia, established labour market Information system, upgraded, and expanded the Technology Development Centre, steered the development and approval of the national volunteerism policy, and implemented Cash Transfer Programmes benefiting 444,000 persons in 2014 and doubled this to 709,414 in 2016. The sector further facilitated certification to 440 children's homes, mobilized and registered 133,000 local community organizations and distributed relief food to 23 volatile counties covering a total population of 600,000 persons. (SPCR Report, 2016). Therefore, the sector is an avenue through which the government provides goods and services to the citizens of the country (Kirimi & Gitau, 2020).

Together with other government units, non-commercial state agencies are funded based on agreed performance indicators against a tabulated and justified performance-based budget (PBB)which is agreed between the government and the SAGA's during the Medium-Term Expenditure Framework (MTEF), and further cascaded and justified in the performance Contract (PC) with the government. (Center for Economic Governance, 2018).

These entities are expected to absorb provided resources against the planned performance indicator which when carried out as planned would see 100% absorption of allocated resources and 100% implementation of Programme activities. The rule of the thumb is that non-commercial Semi-Autonomous Government Agencies have to absorb 100% of allocated funds or disbursed funds in order to effectively attain the intended organizational performance. This is the ideal performance considering all factors constant and thus any performance below 100% is deemed below average performance and thus requires interrogation. (African Community of Practice on Managing for Development, 2016).

The level of absorption of approved and disbursed funds is therefore a measure of the effectiveness of non-commercial government agencies in delivering their mandate. Ordinarily, the percentage absorption of programme-based budget is directly proportional to the percentage of delivery of programme performance indicator hence organizational performance. To assure transparency, accountability and thus prudence in implementing organizational programmes as provided for in the programme-based budget and performance contract, service-oriented entities must carry out their functions within their approved performance targets against the approved budgets. (Public service 2021) This obligates non-commercial SAGA's to absorb allocated resources for only approved performance indicators and activities which culminates in effective delivery of services.

Although the sector reports for the period June 2015- June 2021 have portrayed an increasing budgetary allocation, a gesture that the government is committed to enhance efficient service delivery for non-profit oriented government entities, the financial functioning of these institutions has depicted mixed results. The average budgetary performance in terms of absorption level for the five-year period ending June 2021, which falls within Medium Term Plan III stands at 90%. Particularly, the performance for four out of the six years went below 90% and this includes the year ending June 2016, to June 2021 (Treasury& Planning, 2022). Most budgetary under absorption below 10% of disbursed revenues calls for explanation to justify such performance. It is from this that the current study sought after an inquiry to discover the possible factors leading to the underlying budget under performance in the sector. (Treasury & Planning, 2022).

This notwithstanding, Prudential Financial systems and financial functioning across government institutions have also portrayed diverse trends across the globe. For instance, the study in China by (Jiang, 2019) purposed to examine the impact of the process of preparing budgets on the outcome in terms of revenue generation in government entities. The same applied to (Ezekiel *et al* 2021) who used selected parastatal in Nigeria. (Robert *et al* 2020) and (Muga *et al* 2020) studied Marine State Agencies and County Governments seeking to evaluate how the process of budgeting affects the financial functioning of public institutions in Kenya. All except Ezekiel *et al* (2021) found out that budget management process influences financial outcome of devolved government functions in the country.

However, research by Ezekiel *et al* (2021) which investigated selected parastatals in Nigeria presented a divergent finding that practices involving budget management significantly influence financial outcome in a positive manner. This conflicting finding necessitated the current study to provide elaborate insight as to the extent that practices related to management of budgets influences financial performance of service-oriented government agencies and in particular, non-commercial semi-autonomous government agencies under the social protection sector in the republic of Kenya. The inquiry further interrogated the depth at which financial controls and funding practices influence financial results of non-profit semi-autonomous government agencies (SAGA's) under social protection, culture, and recreation sector in Kenya.

1.3 General objective

(i) This study interrogated the extend financial management practices influence financial performance of non-commercial Semi-Autonomous Government Agencies under social protection sector in Kenya. It focused on the below specific objectives.

1.3.1 Specific objectives

i) To evaluate the influence of budget management on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya.
ii) To examine the influence of financial controls on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya.

iii) To evaluate the influence of funding practices on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya.

1.4 Research Hypothesis

The hypotheses guiding the research include: -

H_{01}: Budget management has no significant influence on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya.

H_{02}: Financial controls has no significant influence on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya.

H_{03}: Funding practices has no significant influence on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya.

1.5 Significance of the Study

The timely academic venture benefits in theory, practice and policy to various stakeholders. It comes handy in augmenting the existing literature on financial management practices that can be used on the public sector and government agencies as well as private sector. By having a wide range of available literature cutting across different industries, the management of state agencies may undoubtedly find this study of value. This study may benefit the national government and county government in policy formulation to promote proper financial management systems across the republic. The government develops supportive policies that encourage embracing and use of prudent financial management practices in businesses and in government offices.

This study may be of scholarly importance to those who may be willing to carry out further research in the field of public service and hence broaden the knowledge in this particular field of research. To this end, this review is a source of empirical review whose contribution is enormous. Additionally, the variables of this study can be reviewed in different sectors other than public service institutions.

1.6 Scope of the Study

Diverse factors do exist that influence the financial functioning of state agencies, and therefore, holding all factors constant, this inquiry focused to examine the impact of practices of financial management on financial outcome of non-profit SAGA's falling under the SPCR sector in Kenya. The study considered 19 SAGAs in the SPCR Sector as highlighted in Appendix VI. The research undertaken covered a timeline of five years from 2016 and 2020 which constitutes a medium-term period under the Third Medium-Term Framework of implementation of Kenya blueprint under 2030 vision and the United Nations goals 2063.

1.7 Limitation of the study

There were cases of unwillingness to furnish the required information by the respondents for they feared disclosing sensitive information. For instance, some of the officials associated with the direct control of the state agency confessed that their extent of providing information on some aspects is limited. To overcome this challenge, assurance was pledged as to the scope of application of information limiting it purely to the purposes of this study only.

In addition, respondents expected immediate feedback from the research findings after the research process so as to provide answers to the challenges being investigated. To mitigate this hitch, respondents were assured that the findings shall be shared later.
Data collection and analysis was time-consuming and costly and thus a research assistant were deployed to speed up the exercise and ensure it is cost effective.

1.8 Organization of the Study

This project is structured in a manner to incorporates the five chapters starting with chapter one where the background of the study is engraved to address the study variable under interrogation. A problem statement is put forward to demonstrate how the research gaps have been addressed. Then objectives of the inquiry, the research hypothesis, the significance there of as pertains the various beneficiaries, scope, limitation, and organization of the study.

The second chapter is two which comprises theoretical framework which focuses on the theories that underpin this study, and this consists of goal setting theory, contingency theory, and agency theory. Further, the chapter highlights in depth the empirical review which entails past literature close to the current study to aid in highlighting the research gaps, namely, conceptual, methodological, and contextual gaps. It concludes with a summary of gaps in the review of literature as provided in Table 2.1 followed by a conceptual framework in Figure 2.1. Chapter three covers: methodology used which entails the design of the research, target population, and instruments applied in gathering data. It further presents the methods used in collecting data, method for analyzing data and ethical issues to be adhered to ensure confidentiality and privacy for all interested parties is taken care of. Chapter four encompasses analysis of the data collected and outcome presentation of the of the research findings. It is the chapter which portrays the response rate of the research participants, reliability and validity tests and demographic results. Further, the same chapter covers the inferential research outcome and the empirical function. The last chapter is five is the summary, conclusion and recommendation of the study. The chapter captures the research findings as anchored on the specific objectives, conclusions thereof and suggestion for the other research aspects future scholars can advance in.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This part entails analysis of knowledge in existence relating to the current proposal conducted in three folds, that is, empirical knowledge, theoretical standing, and the conceptual gaps. In relation to the theoretical foundation, applicable theories that help to unpackage the main aspects of the inquiry were revealed. The review of empirical aspects sought to analyze similar studies and have noted the gaps that are filled by his inquiry. Other focuses is on the diagrammatic expression of the whole concept in terms of conceptual framework.

2.2 Theoretical Review

The study reviewed the extend to which financial management practices influence financial performance of non-commercial semi-autonomous government agencies under SPCR sector in Kenya. It was anchored on goal setting theory as proposed by Locke and Lotham 1990), contingency theory as advanced by Pike (1986), and agency theory as advanced by Jensen and Meckling, (1976).

2.2.1 Goal setting theory

In 1990, the scholars by the names Locke and Latham (1990) were the ones who were responsible of establishing the suggestion aforementioned. The supposition was developed in an industrial firm setting over a quarter of a century ago and was based on more than 500 laboratory and field studies. This theory suggests that setting objectives is efficient where a person has direct control of their operations. The discussion here was how you get people to be committed to their goal and the answer was given that it is through having them participate in setting up the goals. The aspect of whether participation in setting of goals would lead to commitment of the goals was affirmed by a study undertaken by Alavi, Locke, & Wagner III (1997) who determined that employee’s involvement in the process of making decision and especially planning of budget progressively inspires the functioning of the enterprises.

Goal setting was found to be a great motivator of performance of tasks in organizations as it gives a sense of direction and creates order in operations (Lunenburg, 2011).It was found out that goals are best performed when they are specific and challenging and this is brought about by planning and budgeting. This theory is pertinent to this exploration as it supports the budget management variable of this study. Budget setting in an organization is important as it help in planning and ensuring that the operations of the organization are orderly. In addition, budgets set should be challenging to encourage the employees in the organization to implement them. Budget management has been found to help in improving the functioning of enterprises.

2.2.2 Contingency Theory

This theory was advanced by Pike (1986) and focused on discussing the different factors within an organization that influence operational and financial performances. It presupposes that there are several internal factors that influence the operations of an organization which includes the trends in investment returns, staff competency level as well as adopted policies that are applied in capital budgeting. While contextual factors explain why the accounting systems change from one organization to another, the theory assumes that organizations have varied accounting systems and therefore post differing financial outcomes as a result of the different prevailing factors within their operating environments. In this regard, the allocation of financial resources should be carried out while considering these factors (Pike, 1986).

The proposition advanced that since there are differing combinations of corporate settings which coupled with the exogenous factors influences the performance of different firms, some financial management practices may work for some businesses and fails with others. It is therefore imperative for organizations to review, evaluate, and adopt financial management systems that are appropriate and aligns to their purpose. Organizations must therefore ensure a balance in corporate setting and financial management systems if they are to achieve enhance operational and financial performance. (Pike, 1986). This proposition fitted in the current study which adopted budget management, financial controls and funding practices as the independent variables deemed appropriate for predicting the state agency's financial performance.

2.2.3 Agency Theory

The theory regarding Agency relationship was advanced by Jensen & Meckling (1976 and encompasses the association that subsists between two parties in which one party (the Agent) is given the responsibility to run an organization on behalf of another (the principals/shareholders). In such a circumstance, the agent is obliged to apply availed resource to generate returns in the form of wealth towards principals. However, this is not always the case as the agent tends to increase perks and benefits and undertake short-term investments which have low risk and low returns, and this presents a conflict with the principal.

Therefore, the agency theory presents the foundation or guideline regarding the manner in which the two parties should relate with each other especially on matters of resource utilization. The theory presupposes that agents shall make use of the resources that belong to the principals to benefit the latter. This is not always the case since the agent always has more information (information asymmetry) concerning the prosperity of the firm as compared to the owner(s) of the organization (principals). Due to this fact, the agent ends up misappropriating the principal's resources under his control since the principal is separated from the daily operations of the management of the firms.

According to agency theory, the spirit behind the agency relationship is to safeguard the government resources(principal) given in the hands of management of government agencies(agents) so as to enhance the performance of the national government which would lead to increased service delivery to the citizens. To achieve this objective, establishment of specific financial management practices by the managerial board of the state agencies carry out a key responsbility hence assists in addressing the agency conflicts and therefore a positive overall outcome of the firm is registered. For example, financial management components provide efficient and effective flow of information (accounting information system) which in turn eliminates information asymmetry problems, giving rise to enhanced financial performance of the semi-autonomous government agencies.

2.3 Empirical Review

Budget management as one of the control functions of management encompasses the aspects of planning, executing, monitoring, controlling, and communicating of budget elements of an enterprise in order to determine if spending pattern are in line with plans and objectives laid down (Manoj, Kumar and Chaudhary, 2018).

2.3.1 Budget Management and Financial Performance

Past studies disclose varied linkages that budget management has on organizations performance. In China, Jiang, (2019) purposed to determine how budget preparation process influences budgetary utilization in government agencies using game theory. The researcher employed a descriptive research methodology to analyze inferential statistics. Budget elements such as revenue planning, expenditure planning, budget implementation and budgetary controls were studied. In addition, personnel involvement was also taken into consideration. The research findings obtained concluded that budget planning and financial controls are key to budgetary performance. It was also found that staff developing and implementing the budget had inadequate budget formulation and control skills and thus impacted on the implementation as well as performance.

In Ghana, Agbenyo, Danquah, and Shuangshuang (2018) undertook an enquiry to evaluate the level at which budget management influences financial operation of public firms that obtain their capital through listing shares in Ghana Stock Exchange. He determined to investigate how the key budgeting processes such as budget planning, monitoring and control impacts toward the financial functioning of public manufacturing firms that float share in Ghana Stock Exchange. He further sought to examine how budget evaluation impacts on the same. The researcher zoned to all public manufacturing firms and sampled using purposive and convenience sampling from which fifty-one firms were adopted. The study applied structured questionnaire to gather data which was further evaluated for statistical inferences. The outcome portrayed budget management as a key contributor in the financial outcome of manufacturing public companies listed in GSE

Similary in Nigeria, an enquiry by Ezekiel, (2021) purposed to determine how key budget processes such as budget formulation, budget monitoring and budget control processes influence the financial results of a few identified parastatals in that country. A survey designed was applied while primary data was analysed quantitatively, and inferences drawn therefrom. The entire population was sampled, and the findings therein showed that the identified key budget processes such as budget preparation, execution, monitoring and evaluation did not influence the financial outcomes of the selected parastatals. Further, financial controls tend to increase as effectual budget performance is attained. The researcher recommended that governments should adopt budget management practices such as design, monitoring and control.

Another study by Keng'ara, (2020) determined to examine how budgeting functions of planning, control, monitoring and evaluation, in Marine State Agencies in Kenya influence financial and operational outcomes. Descriptive survey method was applied, and 70 firms were sampled using census method. Primary as well as secondary information was collected and evaluated using multiple linear regression. The research findings concluded that budget functions significantly influenced financial and organizational functioning.

Again, Omollo, Baraza, & Nyagol, (2020) carried out a similar study in the County government of Siaya. They applied descriptive survey research methodology to study budgetary management elements of participatory budgeting, budget forecasting, and application of technology in the budgeting process. Target population was 500 employees from which 198 respondents was sampled. Questionnaires were used for data collection while statistical tools that a descriptive in nature were adopted to analyse data. The outcome showed that budgetary management practices of participatory budgeting, forecasting and technology positively impact on the financial outcome of the Siaya County Government.

Foregoing studies done in China by Jiang (2019), Agbenyo *et al* (2018) in Ghana, Ezekiel *et al* (2021) in Nigeria, Kengara *et al* (2021) in Kenya and Muga *et al* (2020) portray both geographical, contextual, and methodological gaps. However, of similarity is the fact that all examined budgetary management elements of planning, formulation, monitoring, control, coordination, as financial management indicators. Jiang (2019) was very specific on the planning aspect of clearly identifying reliable revenue sources and matching with planned expenditure. Both Jiang (2019) and Muga *et al* (2020) incorporated aspects of participatory budgeting process with Muga *et al* (2020) considering technology as an important factor in budget formulation and management. All studies applied descriptive survey methodology except Agbenyo *et al* (2018) who adopted a cross sectional research design. Again, all the research adopted census sampling except for Agbenyo *et al* (2018) and Muga *et al* (2020) who applied purposive convenience sampling.

The above-mentioned studies notwithstanding, it was concluded that practices relating to budget management affirmatively influence financial and operational deliverable of public entities across the world irrespective of the sector involved. Of interest is the fact that Ezekiel *et al* (2021) differed with all other researchers in that his finding was that budget management practices presents insignificant though positive impact on financial performance in selected parastatals in Nigeria and thus the reason for further investigation on how budget processes influence financial functioning of public sector non-commercial SAGAs under the SPCR sector.

2.3.2 Financial Controls and Financial Performance

Financial controls describe various set of laws, regulations, and policies applied by an organization to mitigate risks and provide assurance that available resources are applied in the most prudent manner to attain organizations objectives (The Treasury, 2012). Past studies disclose varied outcomes that financial controls have on organizations' financial performance.

Ofor, Leonard and Okoli, (2017) sought to evaluate how financial management systems and in particular operating single treasury account tends to affect the financial results in ministries and departments in Nigeria. The focus was on the ability of a single treasury account to seal financial leakages in generating revenues and attaining transparency and accountability. Questionnaires were adopted to assemble primary data. Seventy-five participants were selected using purposive sampling technique. Research findings indicated that financial control systems had the capacity to influence financial performance positively, and that single treasury account has the capacity to prevent revenue losses and thus enhance transparency and accountability.

Mukakibibi & Rusibana, (2020) aimed at determining the extent to which financial controls impact on the financial and organizational function of the Agency for the three prior years. Financial controls indicators of budget controls, financial reporting, and control of cost were adopted with the dependent variable of financial performance being applied to measure financial efficiency and organizational effectiveness. Descriptive survey method was used while 171 staff were sampled from 300 employees using purposive sampling criteria. Gathered data was evaluated for statistical inferences. The research outcome showed that financial controls influence financial and organizational performance.

Wanyama, Okello & Otinga, (2019) studied to determine how controls around financial facets affects financial results of sugar firms in the western region of Kenya. Assets control, accounting controls, audits and budgetary controls were used to measure financial control elements while returns on assets was used to gauge profitability. Explanatory research method was adopted while census sampling was applied to select 94 staff in the firms. The inquiry adopted questionnaires to assemble data while inferential statistics was used to evaluate data for statistical inferences. The inquiry revealed that assets control, accounting controls, audit and budgetary controls had a significant influence on the returns of sugars firms in western region in Kenya.

A study by Said and Wamiori, (2019) purposed to examine the extent to which controls related to finances influencing financial devolved functions of Mombasa County government. Financial controls incorporating financial auditing, accounts reconciliations, payable control, and monitoring of finances were adopted. Dependent variable of revenue generation was used to gauge financial functioning. Descriptive design was adopted and a census sampling of 64 employees was selected. Questionnaire were deemed appropriate from which data collected was analysed for inferential statistics. The research outcome showed finance audits, periodic reconciliations, and monitoring accounts payable positively influence financial functioning of Mombasa County government, while financial monitoring had insignificant influence on financial functioning of Mombasa County Government.

Naibei, Akuku and Kimutai, (2021) researched to determine how financial monitoring influence organizational efficiency of identified devolved governments units in the western region in Kenya. Cross-sectional design was adopted to unravel cause-effects association between strategic financial controls and organizational functioning. 390 employees were randomly sampled from a population of 16,209 employees. The outcome of the inquiry predicted a strong association between financial controls and organizational efficiency in the selected counties of in western region of Kenya.

The aforementioned studies adopted varied measures of financial controls which yielded similar findings that financial controls generally influence both organizational and financial performance. The study by Ofor, Leonard and Okoli, (2017) and Mukakibibi and Rusibana, (2020) where conducted outside Kenya. They adopted the same data collection and analysis methodology but different research designs and sampling methods. While Ofor, Leonard and Okoli, (2017) used ex-post facto design and sampling by purposive method, Mukakibibi and Rusibana, (2020) applied descriptive survey design and hence a methodological gap. Both arrived at the conclusion that financial controls positively influence organizational and financial efficiency.

Further, Wanyama, Okello & Otinga, (2019) determined to find out how financial monitoring influence the financial results of sugar companies across the republic of Kenya, and applied a descriptive survey and statistical functions involving descriptive analysis. The research adopted a census sampling technique diverting from purposive sampling adopted by both studies in Nigeria and Rwanda respectively. The three studied government owned agencies but in different operational contexts. Financial control elements studied by Mukakibibi & Rusibana, (2020) were budgetary control, financial reporting, and cost controls while Wanyama, Okello and Otinga, (2019) adopted assets controls, accounting controls audit and budgetary controls with financial performance being measured by organization efficiency elements of Return on Asset. The findings being that all influences organizational and financial performance in a positive and significant manner.

Said and Wamiori, (2019) and Naibei, Akuku and Kimutai, (2021) sought to examine the impact of financial monitoring on organizational and financial operations of county governments in Kenya. They studied varied financial control elements such as audit, periodic reconciliation, monitoring controls and strategic financial controls, adopted different research design of descriptive and cross-sectional research, and further diverged in their sampling techniques where, Said & Wamiori, (2019) used census sampling technique while Naibei, Akuku and Kimutai, (2021) adopted stratified random technique. The former found out that audits, periodic reconciliation, and payable controls positively influence financial performance which was measured using revenues generated. However, monitoring controls played an insignificant role in the financial functioning of county government of Mombasa. Naibei, Akuku and Kimutai, (2021) found out that strategic financial controls played a significant role in organizational performance.

While there is no single universally accepted measure of financial controls, the above studies examined varied and divergent financial control elements and measured performance differently. They applied varied research designs and sampling methodologies yet agreed to the fact that financial controls are key determinants of financial performance, except the finding by Said and Wamiori, (2019) who established that monitoring controls had no significant impact on financial functioning which is a matter for further examination to establish if the same outcome is true for State Agencies. The current study incorporated financial control aspects of financial reporting, cost control and financial monitoring to test whether it has any significant influence on spending as per the disbursements and absorption ratio which is operationalised as the dependent variable in this study.

2.3.3 Funding Practices and Financial Performance

No organization can operate without proper funding. Whether an organization is privately or government owned, enough funding is necessary. Funding is a financial management practice that is inevitable in an organization and past studies have proven this fact although some researchers varied in their research findings.

In the study of Saah (2015) on profitability of Public and private companies in Ghana, He purposed to examine the management practices that influence financial results of specified companies in Ghana. The inquiry revealed that systems involving aspects of financial matters such as disclosure of accountancy affiliated information, investment, sourcing, and planning on matters of liquid capital positively influence organizations' return. Also, Nyamita, Odhiambo, Dorasamy and Garbharran (2015) studied to evaluate how debt finances influence the financial results of government-owned entities across the republic of Kenya. The financial component consisted of the percentage of debt to share capital structure in government entities, considering that the proportion of debt and the proportion of assets, were the fundamental basis of analysis for the time interval between 2002 and 2012. linear regression analysis was adopted in which indicators such as asset return, investment return and equity return were applied to gauge financial performance. The outcome indicated that debt to equity ratio was inversely proportional to the financial outcome of state -owned enterprises in the republic of Kenya.

Research by Assagaf and Ali (2017) in Indonesia, purposed to determine which factors influence financial functioning of government entities having a moderating variable of government subsidy intervention. The inquiry sought to examine the factors that impact on the financial functioning of government institutions in Indonesia. Sampling was undertaken purposively, and 7 entities were selected considering a scope of 11 years.

The study analysis and the output thereof portrayed that government subsidy negatively influences financial efficiency of state-owned enterprises. Capital structure and particularly debt financing has no significant influence, but government subsidy strengthens the link between debt and financial performance.

Muguchia (2018) determined to establish how practices associated with financial management influence financial outcome of public as well as private listed companies in Kenya. A population of 65 companies was identified and sampled using census technique and questionnaires were utilized to collect data which evaluated for statistical inferences. The research findings indicated varying results in which budgeting for capital investment portrayed direct link of the quoted firm financial performance. While cash management practices had an insignificant influence. Generally, the inquiry showed that practices relating to financial management influence profitability of companies listed in the NSE.Under this funding management practices and profitability conceptual perspective, it is proven that the past studies had dissimilar views on financial management practices as applied by different organizations. First, the studies portray a contextual knowledge gap for financial performance was predicted by firms from different sectors even the state-owned ones. The studies of Nyamita, et. al (2015) and Assagaf and Ali (2017) their focus was on state owned corporations while Muguchia (2018) study concern was on firms listed at the NSE both public and private. This presents a contextual gap, and this is what the current study intended to bridge by examining SAGAs in the social protection, sector in Kenya.

Again, past studies had varied results as to the level at which practice relating financial management predicted financial performance. Some research findings revealed positive and negative outcomes with diverse significant levels of influence. This is because the researchers adopted different methodologies to measure both the predictor variables and dependent variables. For instance, Nyamita, et al. (2015) incorporated financial leverage as one of the components of financial management practices. A conceptual knowledge gap also exists in the past studies for both Muguchia (2018) and Nyamita, Odhiambo, Dorasamy and Garbharran (2015) considered debt financing as a pure independent variable while Assagaf and Ali (2017) treated government lending through government subsidy as moderator. Although, those past studies portrayed dissimilar results leading to methodological and conceptual gaps, they had specific objectives to achieve. A further investigation is therefore necessary to infer whether funding management practices using applicable indicators such as fund transfers and grants as adopted by the non-commercial semi-autonomous government agencies in Kenya may have any significant influence on their financial functioning of this entities.

The current study sought to consider the degree with which practices associated with financial management controls influence financial results of not-for-profit SAGAs under social protection, culture, and recreation sector by incorporating funding practices as a predictor variable.

2.4 Summary of literature review and research gaps

Literature analysis undertaken portrayed diverse knowledge gaps that need to be filled at the end of this research exercise. The review entailed both the theoretical and empirical reviews endeavor to establish the knowledge gaps that exist. Pertaining the link between budget management and financial performance, it was concluded in most studies that budget management was important in estimating the financial performance of most organizations, whether of government nature or private. Or either big or small. The predictor, financial management practices was gauged in diverse ways hence various methodological gaps.

Financial control has also been considered as the predictor of financial performance. In connection to this conceptual viewpoint, the review pinpointed some past studies which endeavored to bridge some of the gaps already in existence. Therefore, the following Table 2.1 portrays the gaps identified in the review as follows.

Table 2. 1: Summary of Literature Review and Research Gaps

Author and Year	Study	Research methodology and findings	Research Gaps identified	Filling the rresearch Gap
Robert et al (2021)	The influence of budget process on the and financial performance of non-profit Marine State Agencies the republic of Kenya	explanatory research design was adopted. Both primary and secondary information was obtained from selected 70 Agencies determined using census method. Data was analyzed for Linear regression.the outcome indicated that budget process significantly influence financial performance of marine Agencies	A contextual and methodological gap is presented.	Current study focused on budget management, financial controls and funding practices
Muga et al (2020)	Contribution of budget processes towards financial outcome in the devolved government unit of Siaya county government Kenya	A survey design was deemed appropriate. A population of 500 was identified. 198 entities were selected. Data assembled by use of structured qquestionnaires was evaluated using linear regression. The research outcome indicated that budget management process has positively influence financial performance of Siaya county government.	A contextual and methodological gap exist.	Current study focused on social protection, culture, and recreation sector with six state departments and 20 semi-autonomous Agencies
Ofor, Leonard & Okoli, (2017)	Effects of financial controls and single treasury account on the functioning of main stream government, and its respective Agencies in the republic of Nigeria	Ex-post facto method was identified as most appropriate. Questionnaires were deemed sufficient for collecting data, which was sampled purposively and evaluated for inferential statistics. The inquiry determined that the adoption of financial controls significantly affects and improves performance. At the same time, the adoption of TSA eliminates loopholes hence promote transparency and accountability	A contextual and methodological gap exists. The current study adopted a descriptive research methodology	The current inquiry shall adopt a descriptive survey method, and apply financial controls measures such as financial reporting, cost control and financial monitoring.

Mukakibibi & Rusibana, (2020)	To establish how financial controls influence the performance of Broadcasting Agency of Rwanda	The research applied a survey design while questionnaires and interview guides were adopted to assemble data. Purposive sampling technique was deemed appropriate. Descriptive statistics were derived therefrom with outcome indicating a positive association between financial systems and organizational performance	A geographical, conceptual, and contextual gap exists. The measures for financial controls involving budgetary controls, financial reporting, cost control and monitoring had intervening variables of internal controls and financial health.	The study at hand utilized primary data and reviewed the financial control variables of financial reporting, cost control and financial monitoring.
Saah (2015)	To establish the financial health of public companies Ghana	A crossectional research design was applied where primary data was gathered and evaluated using pearsons correlation coefficient and multiplicative linear regression.	A geographical, methodological, and contextual gap exists since it is carried out on public entities in Ghana. A conceptual gap on the funding practices elements exists	A survey design was adopted and conducted for state Agencies. Funding sources including transfers, Grants and other donor funding was studied
Assaggaf &Ali (2017)	To study the determinants of financial functioning of government owned institutions in Indonesia	A descriptive design was adopted. Purposive sampling method was applied. Data was analysed for linear regression	A methodological Gap exists since Sampling technique applied is purposive	Current inquiry applied a census sampling for all the population of study.
Muguchia (2018)	To find out how practices relating to financial management influence the profitability of entities listed in the NSE	Data was assembled using questionnaires and there after evaluated for descriptive inferences	The study incorporated both private and state-owned entities.	Current study studied non-commercial state agencies.

Researcher 2023

2.5 Conceptual Framework

This is a comprehensive set of concepts arising from the key parts of survey and used to configure a succeeding exhibition. Once evidently expressed, it has the prospective practicality to support exploration and, thus, to help a scholar to derive meaning of succeeding discoveries. Such a structure should be anticipated as an opening fact for consideration about the enquiry and its background. The framework is a exploration device envisioned to support a scholar to improve consciousness and appreciative of the state under analysis and to converse this. As with all exploration in the social world, the structure forms a key component of focus for interrogation and testing, re-examination, and transformation arising from the analysis. The current study is anchored on the conceptual framework below.

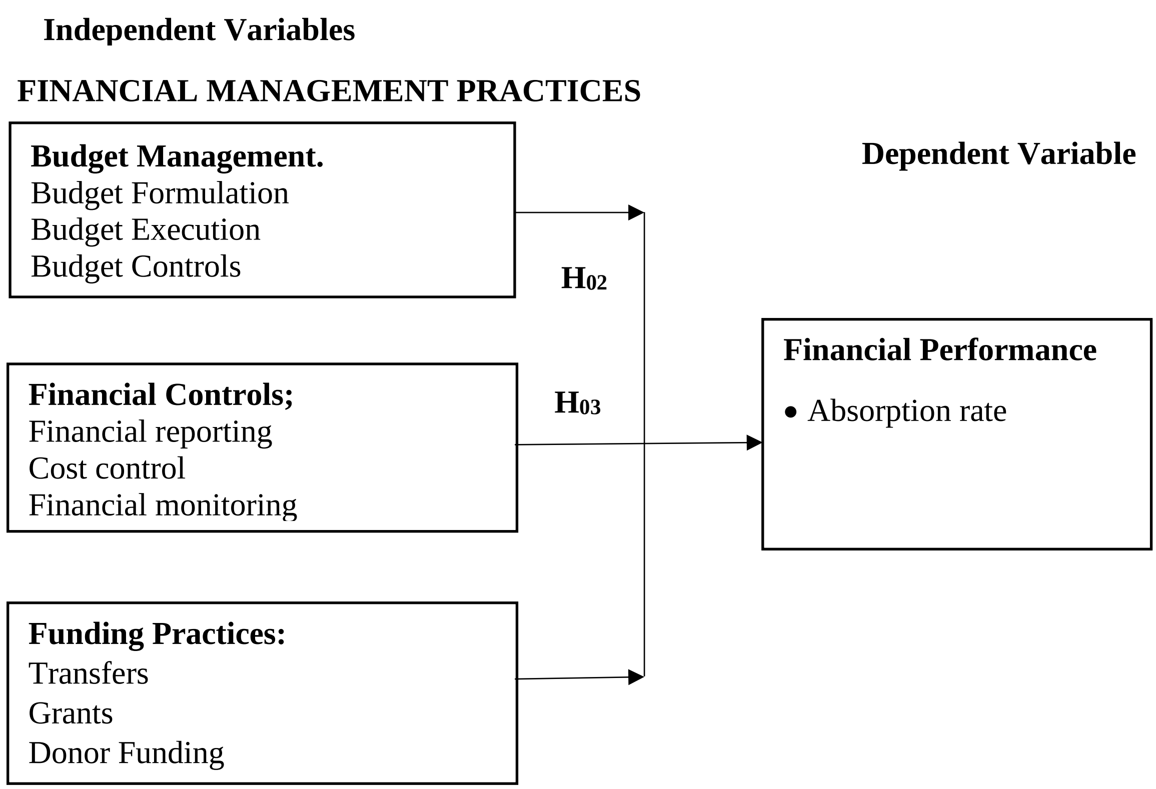

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this current study, it partly outlines the various methods of research adopted, inquiry universe in terms of population size, the sampling criteria applied to sample the population as well as instruments adopted to collect and analyse data. Further, it highlights ethical issues and the manner in which the variables are operationalised.

3.2 Research Design

This describes the road map indicating step-by-step procedures and methods to be adhered to establish the appropriate research findings. This inquiry adopted descriptive survey design since it provides data to relate the standing of phenomena or associations between or among phenomena at a given point. It also applies where data collection is from unit of observation located in widespread region.

This research design is designed to allow for generalization of outcomes to an expanded population. It promises extensiveness of information and precise straight forward breakdown of features of a sample that can be applied to come up with inferences regarding the population as a whole. (Mugenda & Mugenda, 2011).

3.3 Target Population

The 19 non-commercial semi-autonomous government agencies (SAGAs) under SPCR Sector represented the total population of the study as indicated in appendix VI.

3.4 Data Collection Instruments

Data of primary nature was gathered using questionnaires which was dividend in to two parts, that is; the viewpoint related to respondents' demographic features and further the study variables were also incorporated.

3.4.1 Pre-testing of Research Tools

The credibility involving the extent of credence and dependability of the questionnaire was enhanced by ensuring a pre-testing of the instruments. Mugenda and Mugenda (2009), presupposes a pretesting sample size ranging between 1% and 10%.

Pre-testing of the instruments intended to collect data aims at evaluating particular concerns of the research to find out if the procedural directives adopted are functional as intended. More specifically, the researcher carried out a pre-test to get it clear and comprehend the already set out questions to evaluate if the questions translated to the expected outcome. This was conducted on two SAGAs in the Public Administration and International Relations (PAIR)sector.

In view of these suggestions, this study used 2 respondents which represents 8% for pretesting. This size sufficed in accordance with Mugenda and Mugenda (2009). Pre-test study respondents were selected purposively outside the main study sample from other state agencies in other sectors or sub-sectors. The pre-test questionnaires were given to the respondents through their respective e-mail accounts. The pre-test study data were interrogated through analysis to enhance the data collection instrument where in this case was a questionnaire was subjected through a retest process to assure that the questionnaires aspect of internal consistency is well-known.

3.4.2 Validity Test

According to Creswell (2012), data collection instruments should be tested to determine the degree with which they correctly and accurately measure the identified study variable. The aspect of both content and constructs validity was put in to a test (Mason and Bramble, 1989). One, the validity viewpoint was relied upon with an aim of assessing the correctness of the device to confirm that the value it represents to a factor it is approximating, is a true typical value of the complete content of the subject matter being given a value. On the other hand, the aspect of validity of construct nature was used to test how clear the questions and instructions and determine the level of vagueness of such questions. The conceptual framework and the data collection instrument content was cross examined by the supervisor in view of the specific objectives which was approved.

3.4.3 Reliability Test

The questionnaire used for data collection was subjected to reliability test to assess the variables internal consistency by utilizing Cronbach's alpha technique. This approach is also referred to as reliability scale measure. A reliability coefficient of 0.7 and above but not exceeding 1.00 of Cronbach alpha would be accepted (Cronbach, 1951).

The split-half was adopted to test reliability. The approach was most suitable as opined by Drost (2012) who suggested that a certain threshold of the number of objects being observed need to be reached at so as to make it possible to carry out that exercise. Orodho (2009) was of the opinion that the instrument used for the test should portray a correlation of not less than .70 or 70%. In other words, a range of between 0.7 and 1.00 is alright tofor a researcher to conclude that reliability exists.

3.5 Data Collection Procedures

This researcher used data of primary nature which had been gotten from the respective 19 semi-autonomous government agencies officials at the managerial/directorate level through self-administered online questionnaires. Further, follow up calls as well as physical visits were made to ensure the set timeline was adhered.

3.6 Data Processing and Analysis

Several stages were relied upon to clean up the data collected. These processes or stages include editing, coding, classification, and analysis. Analysis was done using SPSS which involved statistical tools such as proportions, average and standard deviation It was also taken through inferential analysis which predicts the degree of the association between the variables. Linear function was used to determine the extend to which the variables relate to each other.

3.7 Diagnostic Tests

The dependent and independent variables was further taken through a diagnostic testing to confirm normality conditions that justifies use of the study empirical model. The condition and the corresponding tests used in the study are explained as follows.

Normality test: Normality state is a case of a variable being normally distributed (Jarque & Bera, 1987). This study relied on one approach of testing normality, that is graphical method. Multicollinearity test: Multicollinearity is a case whereby predictor variables are highly correlating to each other. The study used VIF to test multicollinearity. A value of 10 (VIF=10) was deemed as the critical value (Jingyu li, 2003).

Homoscedasticity test: this refers to the uniformity of variance between the dependent-independent variable relationship whereby the error term will also be tested. It is also referred to the relationship whereby there exists uniform variance between the error term and the association between dependent and predictor variables. Otherwise, heteroscedasticity prevails (Hair *et al.* 2006). This study used a modified Wald test.

3.8 Empirical Model

The empirical function which represents the current theoretical foundation in this study is as indicated below.

$$\mathbf{Y=\beta_0+ \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e}$$

Where.

Y= Financial Performance (Triangulated value)

X_1 = Budget management

X_2 = Financial Controls

X_3= Funding Practices

β_i (where $i_{= 0, 1, 2, \text{ up to } 3)}$ are coefficients

e = Error term

3. 8.1 Operationalization of the Study Variables

This involves designing of a construct that can produce a more perfect estimation. (Sekaran, 1992). Operational definition of the term used is on the basis of contextual environment in which the variable applies, and it may not essentially carry the dictionary implication. The variables in this study, namely, financial performance, budget management financial controls and funding practices were operationalized in accordance with previous studies. Table 3.1 presents contextual definitions, affixing the variables, indicators, measurement scale pertinent and the methodologies used to analyze data.

Table 3.1: Measurement of Variables

Study Variable	Performance Indicators	Scale of Measurement Scale	Research Approach	Analysis Tool
Financial Performance	Absorption Rate	Ratio	Quantitative	Multiple Regression Analysis
Budget Management	Budget Formulation Budget Execution Budget Controls	Interval Scale	Qualitative	Multiple Regression Analysis
Financial Controls	Financial reporting Cost control Financial Monitoring	Interval Scale	Qualitative	Multiple Regression Analysis
Funding Practices	Transfers Grants Donor Funding	Interval Scale	Qualitative	Multiple Regression Analysis

Source: (Researcher 2022)

3.9 Ethical Issues

The ethical issues that pertain sustainability and maintaining of the privacy and confidentiality amongst the researcher participants was put in place by ensuring that the researcher was issued with both the authorization letter from graduate school of Kenyatta University and also the National Commission for Science, Technology, and Innovation (NACOSTI). Confidentiality as well as privacy of the respondents' opinion was upheld as investigation moral values such as integrity were adhered to. The target participants were informed of the motive behind the inquiry and thus, informed consent was given precedence.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This is a main section in this study for contains outcome of the study which comprises of demographic features of the respondents as well as the outcomes of the research objectives. Further it highlights the results with respect to each hypothetical question that the researcher purposed to analyze. The research findings were meant to establish how the respective practices of financial management impact the financial outcome of non-commercial semi-autonomous Government Agencies in social protection sector in Kenya. Data that is primary and secondary in nature was gathered for analysis.

4.2 Response Rate

Inquiry forms were sent to nineteen respondents out of which 17 were completed and reverted for analysis. This constitutes 89.5% response rate as provided in figure 4.1 which is deemed satisfactory. The impressive response rate achieved owes to the measures adopted by the researcher to not only share the online questionnaire but also due to the persistent phone calls made there after dropping of the data collection tool. A response rate of 60% and above is recommendable (Mugenda and Mugenda (2012), a similar argument was posited by (Kothari, 2004).

4.3 Pilot test Results

A pilot study was undertaken to ensure that level of dependance was within the acceptable thresholds as far as the respective instrument for the inquiry was concerned. So, a reliability and validity test was undertaken on two (8% of the 19 respondents) non-commercial semi-autonomous government agencies in the Public Administration and International Relations (PAIR)sector.

4.2.1 Reliability Analysis

To assess the variables consistency internally, a test of reliability was undertaken using Cronbach alpha coefficient. The test results were above mark as attested by Cronbach (1951) as presented as indicated in Table 4.1

Table 4. 1: Reliability of Measurement Scales

	Cronbach's Alpha	Decision
Budget Management	.821	Reliable
Financial Controls	.854	Reliable
Funding Practices	.812	Reliable
Financial Performance	.758	Reliable

Source: Researcher 2023

4.2.2 Validity Test Results

Data collection instruments were tested for validity in terms of the content as well construct validity so as to assure and also improve on the legitimacy by running them through the university supervisor to ensure that the value assigned to variables is a true reflection of object being estimated.

4.4 Demographic Information

Demographic analysis was undertaken in order to obtain a general overview of more aspects of the SAGAs which are underlying the study variables. The demographic characteristics other than the main study variables assisted to establish the sexual affiliation of the participants, the capacity in which they serve and the time in years that they have served in the SAGAs.

4.4.1 Gender of the respondents

Data was obtained to identify the respondent sexual orientation, and the feedback is presented below.

Table 4. 2 Gender of the Respondent

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	11	64.7	64.7	64.7
	Female	6	35.3	35.3	100.0
	Total	17	100.0	100.0	

Source: Researcher 2023

From table 4.2 above, majority of the respondents were male at 11 in number represented by 64.7% while female respondents were 6 in number representing 35.3%

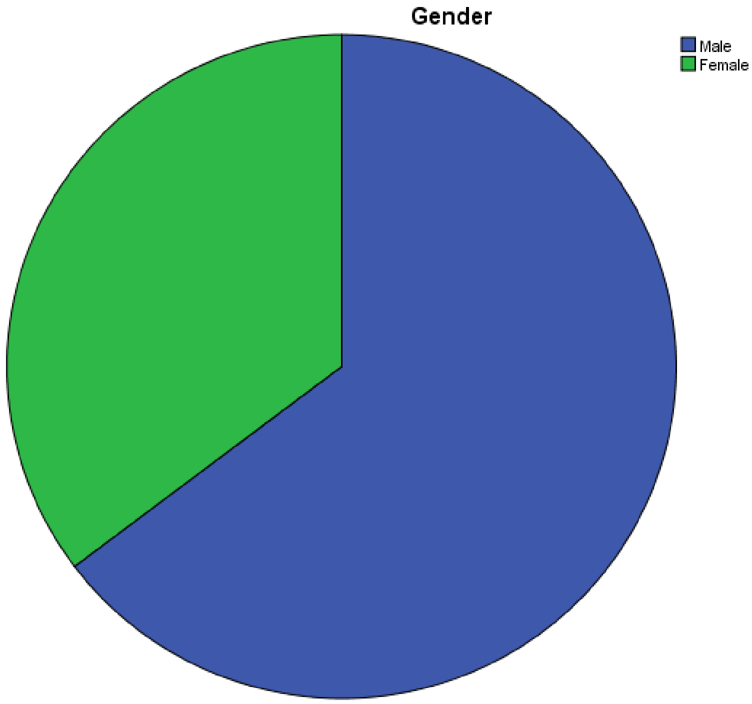

Figure 4. 1: Gender of respondents
Source: Researcher 2023

4.4.2 Position of the study participants

The enquiry assembled information concerning the various departments from where the respondents were working in. Most of the participants (13 participants) served as Finance or Accounting Managers of various Agencies as represented by 76.5%, followed by operation Managers (4 respondents) at 23.5 %. Table 4.3 below illustrates the findings.

Table 4. 3 Position of the respondents

Position		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance/Accounting Manager	13	76.5	76.5	76.5
	Operations Manager	4	23.5	23.5	100.0
	Total	17	100.0	100.0	

Source: Researcher 2023

4.4.3 Period Served in the Agency

Data was assembled to find out the duration over which the participants had served in the Agency. Data discoveries are as indicated in Table 4.4 below. This table below specifies that those participants had served in their current work station for between 5-10 years at 47.% (8 respondents) while 6 respondents (35.3%) had been in their station for between 11-20 years. 11.8% of them (2respondents) had been in their current position for 1-5 years while 5.9% (1respondent) had served for more than 20 years.

Table 4. 4 Period served in the Agency

Duration		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	2	11.8	11.8	11.8
	5-10 years	8	47.1	47.1	58.8
	11-20 years	6	35.3	35.3	94.1
	Above 20 years	1	5.9	5.9	100.0
	Total	17	100.0	100.0	

Source: Field Data 2023

4.5 Diagnostic Tests

Diagnostic test was carried out from diverse viewpoints to establish the validity of the data collected.

4.5.1 Test of Autocorrelation

Auto correlation seeks to show if observations of a single variable are alike due to time differences and therefore indicative that there exists autocorrelation due to time lags. It is significant to the researcher since it renders the results of a regression analysis invalid. This enquiry applied urbin-Watson test of autocorrelation and the outcome therefrom is shown in Table 4.5 below.

Table 4. 5 Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.883[a]	.780	.754	.41075	1.260
a. Predictors: (Constant), TrFP, TrBM, TrFC					
b. Dependent Variable: TrPer					

Source: Field Data 2023

Table 4.5 above reveals a Durbin Watson autocorrelation of 1.260 which leads the researcher to conclude that there exists no correlation among the data sets. As a common understanding, a Durbin Watson statistic ranging between 1 to 3 implies absence of autocorrelation problem.

4.5.2 Multi Collinearity Test

A challenge of multicollinearity exists where the independent variables are highly related or correlated. This should not be the case if the Ordinary Least Squares method is the one in application. The predictor factor should have moderate link with one another but not a very close connectivity. This enquiry embraced the test tool referred to as the Variance Inflation Factor to establish the existence of multicollinearity. The outcome is shown in Table 4.6

Table 4. 6 Multicollinearity Test

Coefficients[a] Model		Collinearity Statistics	
		Tolerance	VIF
1	Trans_BM	.699	1.431
	Trans_FC	.881	1.135
	Trans_FP	.671	1.490
a. Dependent Variable: Trans Per			

Source: Field Data 2023

While interpreting VIF, the results should be below 10 to conclude the existence of multicollinearity within the variables. As tabulated above VIF figures are 1.431, 1.135, 1.490 for budget management, financial controls, and funding practices respectively and thus, there exists no multicollinearity among the variables.

4.5.3 Test of Normality

Normality is used to determine whether a given data set exhibits a standard feature. This inquiry applied the Jarque-Bera Statistics analysis to measure Skewness and Kurtosis.

Table 4. 7 Normality Test

	N Statistic	Mean Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
TrBM	17	4.3176	-1.468	.550	1.653	1.063
TrFC	17	4.4824	-1.133	.550	1.183	1.063
TrFP	17	4.4216	-1.341	.550	.738	1.063
TrPer	17	.8979	-3.666	.550	9.185	1.063
Valid N (listwise)	17					

Source: Field Data 2023

As a general rule, data that is normally distributed should produce a skewness between -3 to +3 and Kurtosis range between -10 to +10.The table above, shows that budget management presents skewness of -1.468 and kurtosis of 1.653, Financial Controls yielded -1.133 skewness with a kurtosis of -1.183, Funding Practices skewness of -1.341 and a kurtosis of 0.738, while performance had a skewness of -3.666 and a kurtosis of 9.185.

4.6 Descriptive statistics

The conceptual descriptive link was performed as per each predictor variable and the results were as shown below.

4.6.1 Budget Management and Financial Performance

The inquiry collected data around the aspect or predictor variable, namely; Budget Management and financial performance of the SAGAs in the country. The inquiry investigated the level of opinion given by the various respondents as far as agreement and disagreement on the aforementioned conceptual viewpoint is concerned. To respond to this, the researcher provided the following 1-5 Likert scales, that is 1 to imply that the respondent Strongly Agree (SA), 2 to imply that the respondent Agree (A), 3 to imply that the respondent is Neutral (N), 4 to imply that the respondent Disagree (D), and 5 to imply that the respondent Strongly Disagree (SD). Their respective correspondence is guided by Table 4.8 below.

Table 4. 8 Budget Management and Performance

Budget Management Statements	N	SD	D	N	A	SA	M	S.D
BM1:There is always a budget blueprint to guide on budget for every five years like a master budget	17	0(0%)	1(5.9%)	1(5.9%)	6(35.3%)	9(52.9%)	4.35	.862
BM2:The master budget is broken down to sub-budgets for each department	17	1(5.9%)	0(0%)	1(5.9%)	4(23.5%)	11(64.7%)	4.41	1.064
BM3:Each department/section head is responsible and accountable of budget implementation	17	0(0%)	2(11.8%)	0(0%)	5(29.4%)	10(58.8%)	4.35	.996
BM4:There is a budget oversight team in every department to ensure budget is strictly adhered to	17	0(0%)	1(5.9%)	2(11.8%)	7(41.2%)	7(41.2%)	4.18	.883
BM5:The internal auditor ensures that the budget is attainable and as per the cash allocations for the period	17	0(0%)	15.9%)	1(5.9%)	7(41.2%)	8(41.2%)	4.29	.849
Valid N (listwise)	17							
Composite Mean							**4.3**	

Source: Field Data 2023

The table above shows that Non-Commercial SAGAs aims at having efficient budget management systems. From Table 4.8, it was established that out of the 17 participants, 15 (88.2%) were of the opinion that there is always a budget blueprint to guide on budget for every five years like a master budget. One respondent representing 5.9% disagreed with the researcher’s assertion on budget blueprint while one respondent representing 5.9% was indifferent on the statement on budget blueprint by the SAGAs. As per Table 4.8, the line mean was at par with the composite mean of 4.3 implying that the aspect of Budget blueprint to guide budget making enhances performance of SAGAs in Kenya with a standard Deviation of 0.862.

A descriptive analysis was undertaken to find out whether the master budget is broken down to sub-budgets for each department. This resulted to fifteen respondents (88.2%) agreeing that the main budget is usually broken down into small budgets for each department. This was because breaking down the master budget into small sections of sub-budgets assisted the entities to monitor its progress and stay within the budget. One respondent (5.9%) strongly disagreed with the researcher's assertion while one respondent (5.9%) was neutral on that aspect. An average score of 4.41 with a standard deviation of 1.064 was obtained which is higher than the average mean meaning that breaking up the master budget into smaller budgets for the departments was a beneficial action for the performance of the SAGAs.

Additionally, the study determined that each department/section head was responsible and accountable for budget implementation where fifteen (88.2%) respondents agreed with the researcher's assertion. Further, two respondents (11.8%) disagreed with the researcher's assertion. An average score of 4.35 with a standard deviation of 0.996 was realized. This is because having heads of departments with the responsibility and being accountable for budget implementation was key to achieving the planned budget and keeping all expenditure in checks and balance. This mean was at par with the overall mean of 4.3 meaning that giving responsibility to each departmental head was a good management aspect.

Fourteen respondents (82.4%) agreed that there was a budget oversight team in every department to ensure budget is strictly adhered to. One respondent (5.9%) disagreed with that assertion while wo respondents were neutral on the researcher's assertion. An average score of 4.18 with a standard deviation of 0.883 was determined for that statement. Fifteen participants (88.3%) agreed that the internal auditor ensures that the budget is attainable and as per the cash allocations for the period.one respondent (5.9%) disagreed with that assertion while one other respondent was indifferent (5.9%) An average score of 4.29 with a standard deviation of 0.849 was determine which is close to the overall mean of 4.3.

This study established that budget management in Kenya's Non-Commercial SAGAs is an important aspect that in influencing their financial performance. The study recognized that when Non-Commercial SAGAs embrace budget management, there is a likelihood to enhance their revenues generation hence good health in financial aspects. The observations of the inquiry are in-tandem with the study by Ezekiel, (2021) indicating that Budget Management among parastatals was highly effective and this led to improved performance. Adopting budget management as a strategy in the organization leads to increased control and utilizations of resources and this leads to the organization improving its operations and overall enhance its performance.

4.6.2 Financial Controls and Financial Performance

The inquiry collected data around the aspect or predictor variable, namely; financial controls and financial performance of the SAGAs in the country. The inquiry investigated the level of opinion given by the various respondents as far as agreement and disagreement on the aforementioned conceptual viewpoint is concerned. To respond to this, the researcher provided the following 1-5 Likert scales, that is 1 to imply that the respondent Strongly Agree (SA), 2 to imply that the respondent Agree (A), 3 to imply that the respondent is Neutral (N), 4 to imply that the respondent Disagree (D), and 5 to imply that the respondent Strongly Disagree (SD). Their respective correspondence is as indicated in Table 4.9.

Table 4. 9 Financial Controls and Performance

Financial Controls Statements	N	F	SD	D	N	A	SA	M	S.D
FC1:Financial reporting of the agency is as per IPSAS	17		1(5.9%)	0(0%)	1(5.9%)	6(35.3%)	9(52.9%)	4.29	1.047
FC3:Cost-Benefit model is used to assess the cost and benefit of projects and other expenditures	17		00%)	0(0)	1(5.9%)	5(29.4%)	1(64.7%)	4.59	.618
FC4:KENAO's financial control advises, and compliance guidelines are strictly adhered to	17		00%)	0(0)	1(5.9%)	7(41.2%)	9(52.9%)	4.47	.624
FC5:There is a monitoring and evaluation section or team with the responsibility of ensuring that projects go as planned	17		0(0%)	0(0)	1(5.9%)	5(29.4%)	11(64.7%)	4.59	.618
Valid N (listwise)	17							**4.5**	

Source: Field Data 2023

From the table above, financial controls were found to be a major component in the financial functioning of SAGAs in Kenya. It was determined that fifteen respondents representing 88.2% agreed with the researcher's assertion that financial reporting of the agency is as per IPSAS. This means that the controls put in place were internationally accepted and that they were meeting international standards. On the other hand, one respondent (5.9%) disagreed with that assertion while another one respondent (5.9%) was neutral on the statement. Equally, a descriptive statistic was undertaken on the aspect where sixteen respondents (16) representing 94.1% agreed that the agency management has embraced ICS to minimize misappropriation of finances and other assets of the agency while one respondent (5.9%) was neutral on the statement. This is because strong internal controls ensures that there is a procedure for authorizing expenditure and thus it reduces the chances of misappropriation and embezzlement of funds which is a common problem in government agencies.

Sixteen participants (94.1%) confirmed that the cost benefit analysis is useful in assessing the usefulness vis a vis cost where an average score of 4.59 with a standard deviation of 0.618 was ed. Obtained. In assessing whether Auditor Generals financial control recommendations and compliance guidelines are strictly adhered to, sixteen respondents (94.1%) responded in the affirmative to this fact presenting an average of 4.47 and a SD of 0.624 while one respondent (5.9%) was neutral to this statement. sixteen respondents (94.1%) agreed that there is a monitoring and evaluation section or team with the responsibility of ensuring that projects go as planned presenting an average of 4.59 and a SD of 0.618. However, one respondent representing 5.9% was neutral to this statement.

The study finding of this study agrees with those of Mukakibibi and Rusibana, (2020) who studied to determine how financial controls were affecting performance of broadcasting Agency in Rwanda and determined that the research outcome showed that financial controls influence financial and organizational performance..In addition, this study findings agrees with those of Wanyama,Okello &Otinga who concluded that assets, accounting, audit and budgetary controls positively impacts the financial outcome of sugars companies in Kenya’s western region.

4.6.3 Funding Practices and Financial Performance

The inquiry collected data around the aspect or predictor variable, namely; Funding Practices and financial performance of the SAGAs in the country. The inquiry investigated the level of opinion given bY the various respondents as far as agreement and disagreement on the aforementioned conceptual viewpoint is concerned. To respond to this, the researcher provided the following 1-5 Likert scales, that is 1 to imply that the respondent Strongly Agree (SA), 2 to imply that the respondent Agree (A), 3 to imply that the respondent is Neutral (N), 4 to imply that the respondent Disagree (D), and 5 to imply that the respondent Strongly Disagree (SD). Table 4.10 represents the outcome.

Table 4. 10 Funding Practices and Performance

Funding Practices Statements	N	SD	D	N	A	SA	M	S. D
FP1: Transfer of funds from central government is timely to fund projects in an effective and manner	17	0(0)	1(5.9%)	1(5.9%)	3(17.6%)	12(70.6%)	4.53	.874
FP2: Transfer of funds from central government is as per planned in the national budget	17	0(0)	1(5.9%)	2(11.8%)	4(23.5%)	10(58.8%)	4.35	.931
FP3: Grants are sufficient for the identified project or any other nature of expenditure	17	0(0)	2(11.8%)	2(11.8%)	4(23.5%)	9(52.9%)	4.18	1.074
FP4: Grants and donor funding have covenants and conditions which the agency adheres to always	17	0(0)	1(5.9%)	1(5.9%)	1(5.9%)	14(82.4%)	4.65	.862
FP5:All funding, be it government transfers, or donations from other agencies are all well utilized and clean bill of health provided by the KENAO office after auditing	17	1(5.9%)	1(5.9%)	3(17.6%)	1(5.9%)	11(64.7%)	4.18	1.286
FP6:The agency always reports in details to the donors how cash/funds are spend every financial period	17	1(5.9%)	0(0)	0(0)	2(11.8%)	14(82.4%)	4.65	.996
Valid N (listwise)	17							
Overall Mean							**4.4**	

Source: Field Data 2023

The aforementioned Table 4.10 above, depicts most participants 15(88.2%) had agreed that transfer of funds from central government is timely to fund projects in an effective and efficient manner as demonstrated by an normal score of 4.53 with a SD of 0.874. This leads to the conclusion that the central government understands the important roles played by the SAGAs and thus works to ensure funds are disbursed on time. Further, one respondent (5.9%) was neutral to this statement while one respondent (5.9%) disagreed to it. On whether transfer of funds from central government is as per planned in the national budget, most of the respondents 14(82.3%) were in agreed yielding a average score of 4.35 with a SD of 0.931. Therefore, National Government prioritizes operations of Non-commercial

SAGAs and thus ensures that funds are disbursed as per the national budget. Two 2(11.8%) of the respondent were neutral while 1(5.9%) disagreed with this statement.

Consequently, 13(76.4%) of the participants believed that grants are sufficient for the identified project or any other nature of expenditure in which a mean of 4.18 with a standard deviation of 1.074 was reported. This therefore shows that SAGAs receive adequate grants to undertake identified projects and this has led to improvement in performance. In addition, 2(11.8%) of the respondents were neutral with a further 2(11.8%) disagreeing with this fact. It was also found out that 15(88.2%) of the respondents believed that grants and donor funding have covenants and conditions which the agency adheres to always in which an average score of 4.65 with a standard deviation of 0.862 was obtained. One respondent (5.9%) was neutral while one respondent (5.9%) disagreed to this assertion.

To respond to the assertion that all funds are well utilized and a clean bill of health provided by KENAO during audits, 12(70.6%) of the respondent agreed to this fact presenting a mean of 4.18 and a standard deviation of 1.286. Further 3(17.6%) were neutral while 2(11.8%) disagreed with this assertion. 16(94.2%) of the respondents agreed that the agencies always report in detail to the donors how cash/funds are spending every financial period posting a average score of 4.65 with a SD of 0.996. One respondent (5.9%) disagreed with this fact. Similar results were established by Nyamita, Odhiambo, Dorasamy and Garbharran (2015) who established that debt to equity ratio was inversely proportional to the financial outcome of state-owned enterprises in the republic of Kenya.

4.6.4 Financial Performance Analysis

Financial performance is the central and major objective of any organization. It denotes the yardstick with which the outcome of firm strategies, policies, and operations are measured. In this inquiry financial performance as the dependent variable was measured using the absorption rate of disbursed funds to Non-commercial SAGAs in Kenya. Secondary data obtained was analyzed.

Table 4. 11 Financial Performance

	Average Absorption rate	Frequency	%
	90 – 100%	15	78.94%
	80 – 89%	1	5.26%
	Below 80%	3	15.78%

Source: Field Data 2023

From the above table, 15 non-commercial SAGAs representing 78.94% of those in the social protection sector performed well in terms of absorption of their disbursed funds. Since the level of absorption of disbursed funds is directly proportional to the level of delivery of Programme performance indicators, Most Non-commercial SAGAs performed well, and this reflects that they have established effective financial management practices. From this study, four (4) SAGAs representing 21.04% of the total SAGAs in the sector had absorption rate below 90% hence poor performance. This reflects poor delivery of programmes and thus denotes poor financial management systems within this Agencies.

4.7 Inferential Statistics

Various aspects of financial management practices were analyzed for inferential statistics to scrutinize how they influence financial performance of Non-Commercial SAGAs in the republic of Kenya. This segment covers the demonstration of the findings in this regard.

4.7.1 Analysis of Variance Test (ANOVA Test)

An ANOVA was undertaken to ascertain the level of statistical significance of the theoretical function, and the outcomes arising therefrom are as depicted in Table 4.12 below.

Table 4. 12 ANOVA Test

ANOVA[a] Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	.045	3	4.944	29.3	.000[b]
	Residual	.877	13	.169		
	Total	.922	16			

a. Dependent Variable: TrPer

b. Predictors: (Constant), TrFP, TrBM, TrFC

Source: Field Data 2023

Table 4.12 portrays P-value of 0.000 and this is evidence that the overall model was significant in describing the variations in performance among the non-commercial SAGAs in Kenya. Confident level of 95 % was applied to process data and this indicates that a statistic of below 0.05 is significant.

4.7.2 Regression Model

Table 4.13 portrays coefficient outcomes which explains the nature and extent of association among the variables.

Table 4. 13 Regression Model

Coefficients[a] Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.718	.521		1.377	.490
	TrBM	.399	.091	.368	4.382	.000
	TrFC	1.466	.174	.838	8.414	.000
	TrFP	.641	.168	.514	3.809	.000

a. Dependent Variable: TrPer

Source: Field Data 2023

The mathematical model or function is presented below.

$$\mathbf{Y= 0.718 + 0.399X_1 + 1.466X_2 +0.641X_3}$$

0.718 is the outcome of SAGAs financial performance when the study variables of focus are assumed to be constant. Further, one-unit alteration in matters of the SAGA’s budget management translated to a 0.399-unit variance in the financial performance of SAGAs financial performance which was direct and statistically significant. Again, a one-unit change in financial controls brought about 1.466 units change in the financial performance of SAGAs financial performance which was positive and significant. The third predictor variable, namely funding practices portrayed that its one-unit change led to **0.641** units change in the financial performance of SAGAs financial performance which was statistically significant and direction wise it was positive. As reflected in p-values reported in the aforementioned Table 4.13, all study constructs had statistically significant function in influencing the financial performance of SAGAs in Kenya since the significant statistic were less than 0.05 across. It therefore can be concluded that Budget Management, Financial Controls, and Funding Practices significantly influence financial performance of SAGAs in Kenya.

4.7.3 Model Summary

The outcome of the model summary is as provided in table 4.14.

Table 4. 14 Model Summary

Model Summary[b] Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.883[a]	.780	.754	.41075	1.260

a. Predictors: (Constant), TrBM, TrFC, TrFP,

b. Dependent Variable: TrPer

Source: Field Data 2023

Table 4.13 presents the association that exists among the variables both the dependent and predictors. R^2 represents the determination coefficient which explains the degree with which the predictors affect variations in dependent variable while adjusted R^2 describes the degree of between the variables on addition of variables in the equation. The R of 0.883 shows strong association among the variables. The R^2 of 0.780 shows that 78 % of variations in financial performance was affected by changes in Budget Management, Financial Controls and, Funding Practices taken together. This therefore shows that other factors account for 22% of variations in financial performance among SAGAs Kenya. That is, those other factors which were not incorporated in this model.

Similar studies in support of the current one such as the one carried out by Agbenyo, Danquah, and Shuangshuang (2018) who undertook an enquiry to evaluate the level at which budget management influences financial operation of public firms that obtain their capital through listing shares in Ghana Stock Exchange. The outcome portrayed budget management as a key contributor in the financial outcome of manufacturing public companies listed in GSE. Again, the study of Keng'ara, (2020) determined to examine how budgeting functions of planning, control, monitoring and evaluation, in Marine State Agencies in Kenya influence financial and operational outcomes. It was established that budget functions such as planning, control, monitoring and evaluation, have a significant influence on financial and organizational functioning.

A similar study in Rwanda, Mukakibibi & Rusibana, (2020) was carried out to the current one where they purposed to find out the impact the matters of financial controls measures had on the financial functioning of the Broadcasting Agency. The research outcome showed that financial controls influence financial and organizational performance. In another study by Wanyama, Okello & Otinga, (2019) they focused on determining how controls around financial facets affects financial results of sugar firms in the western region of Kenya. The inquiry revealed that assets control, accounting controls, audit and budgetary controls had a significant influence on the returns of sugars firms in western region in Kenya. These results are similar to the current case where financial controls were incorporated to predict the financial performance of SAGAs and was concluded that it was positive and significant. Other studies supporting the concept of funding practices and financial performance of SAGAs were that by Nyamita, et al. (2015) studied to evaluate how debt finances influence the financial results of government-owned entities across the republic of Kenya. The outcome indicated that debt to equity ratio was inversely proportional to the financial outcome of state -owned enterprises in the republic of Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five summarizes outcomes all enquiry issues which arose according to the objectives as well as conclusions of the inquiry and provides recommendation to various stakeholders. It also suggests areas for further studies.

5.2 Summary of Research Findings

The inquiry focused to investigate the influence of financial management practices on financial performance of Non-commercial Semi-Autonomous Government Agencies in the social protection sector in the republic of Kenya. To achieve this main goal, Descriptive and inferential statistics was used to analyze the collected data. The variables of the inquiry were budget management, financial controls and funding practices which represented the predictor variables and the productivity viewpoint of financial performance was the criterion factor. It was revealed that a strong association (R) of 0.883 among the variables. The R^2 of 0.780 shows that 78 % of variations in financial performance is influenced by changes in Budget Management, Financial Controls and Funding Practices. An adjusted R^2 of 0.78 representing 78% was reported. It therefore can be inferred that other factors contribute up to 22% of the variations in financial performance among SAGAs in Kenya. A summary of the findings is presented below.

5.2.1 Budget Management on performance of SAGAs

The inquiry further aimed at interrogating the impact of the aspect of budget management on the SAGAs financial performance in the SP sector in the Republic of Kenya. The outcome of the regression model posited that budget management influence financial performance of SAGAs under the SP sector in the republic of Kenya. It was found out that SAGAs were investing in budget management through having budget blueprints for five years, breaking it into smaller sub-budgets, having the heads of department taking personal responsibility of implementing the budget and having a budget oversight committee to monitor budget progress. These result findings agreed with those of inferential statistics which determined that budget management positively influence the financial performance of SAGAs in SP sector in Kenya. The outcome budget management significantly on the productivity viewpoint of financial performance of SAGAs in the SP sector in Kenya.

5.2.2 Financial Controls on performance of SAGAs

The inquiry also purposed to determine how financial controls affect financial health of SAGAs in SP sector in Kenya. The descriptive statistics showed that financial controls enhance the financial performance of these SAGAs through adoption of internal control systems, using the cost-benefit analysis model to establish the benefits of projects, following up the Kenya National Audit office guidelines and recommendations and having a monitoring and evaluation team to monitor the progress of projects. These results agreed with the regression model results which revealed that financial controls positively influence financial performance of SAGAs in the SP sector Kenya. Financial controls therefore if well used in organizations can enhance their financial performance.

5.2.3 Funding Practices on performance of SAGAs

Lastly, the study examined the impact of practices around funding of SAGAs in the SP sector in Kenya on their financial performance. Descriptive statistics results indicated that SAGAs receive fundings from the National Government on time to fund various planned projects, grants received are sufficient to undertake various projects, donors and the government have an agreement which is strictly followed by the Agencies and all funds received are audited and any queries cleared. These descriptive statistics were confirmed by regression analysis which revealed a positive influence of funding practices on the financial performance of SAGAs in SP sector in Kenya.

5.3 Conclusion

The conclusions of this inquiry are drawn from the outcome of the data analyzed as reported in the findings. We therefore make conclusions for each objective of the inquiry as below.

The first null hypothesis H_{01} **"**There is no significant influence of budget management on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya" was rejected and this gave rise to acceptance of the alternate hypothesis "There is a significant influence of budget management on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya." Therefore, budget management is an important element that impacts on the productivity aspect of the SAGAs in Kenya in terms of financial performance. Further, budget management was found to positively influence financial functioning and thus enhance the management of SAGAs by ensuring that a budget is in place, and it is strictly followed and monitored in every Agency.

The proceeding null hypothesis H_{02} which is the second one and states "There is no significant influence of financial controls on financial performance of Semi-Autonomous Government Agencies under social protection, culture, and recreation sector in Kenya" was rejected. This resulted to acceptance of the alternate hypothesis "There is a positive significant influence of financial controls on financial performance of Semi-Autonomous Government Agencies under social protection, culture, and recreation sector in Kenya" In addition, financial controls help organizations to establish strong internal controls which helps to reduce fraud in organizations.

The third null hypothesis H_{03} "There is no significant influence of funding practices on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya" was rejected and this meant acceptance of the alternate hypothesis "There is a significant influence of funding practices on financial performance of Semi-Autonomous Government Agencies under social protection sector in Kenya". This study concludes that funding practice is a financial management practice that influences the financial results of SAGAs in Kenya. Additionally, the impact that funding practices has on performance of SAGAs is positive and significant. Further, the study indicated that adoption of funding practices yields enhanced financial performance of SAGAs in Kenya.

5.4 Recommendations

Arising from the inquiry results and conclusions, several recommendations geared towards policy formulations were suggested.

This study recommend that budget management enhances the performance and operations of SAGAs and therefore should be adopted by all government Agencies since in the study, it acted as a control tool to keep the Agencies on track.

Secondly, SAGAs need to embrace effective and efficient internal controls to guarantee that funds received and operations on the Agencies are well monitored. This study determined that SAGAs which embrace financial controls, had a monitoring team to monitor progress of projects and regularly undertook cost-benefit analysis on projects which led to enhancement in performance.

Thirdly, the SAGAs need to undertake thorough analysis of funding needs and benefits realized from previous grants received from donors. This will enable SAGAs expand their operations and have a good structure in place thus leading to improvement in financial performance.

5.5 Suggested areas for Further Research

This investigation was meant to find out how the concept of financial management practice matters and financial performance of government of Kenya agencies, namely; non-commercial Semi-Autonomous Government Agencies in social protection sector. The research findings portrayed that the predictor variables selected, namely; budget management, financial controls and funding practices had a major influence on SAGAs financial outcome of in the Republic of Kenya. Further inquiries can be undertaken on government ministries to determine how financial management practices influences their financial performance.

Equally, a further study can be undertaken using other sectors in government as well as NGOs with the same variables to determine how the main independent variable, referred to as financial management practices affected such organizations' financial performance. Further, this inquiry focused on the multivariate model where multiple regression was undertaken to test the research hypotheses. Further research is necessary to find out whether there are moderating variables that may foster or hinder the current direct and significant theoretical connection between the variable; financial management practices and criterion aspect, namely; financial performance of Non-commercial Semi-Autonomous Government Agencies in social protection sector in Kenya.

Another area that future researchers need to re-look at is the other components of financial management practices other than budget management, financial controls and funding practices to assess their contribution to financial performance f the same SAGAs in social protection sector in Kenya. This would broaden the aspect of framing working policies of this organizations.

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APPENDICES

Appendix I: Cover Letter

KATEE SIMON MUTUNGI

KENYATTA UNIVERSITY

P. O BOX 43844

NAIROBI

CELL NO: 0725463080

EMAIL: skateecvt@gmail.com

Dear Respondent,

RE: RESEARCH PROPOSAL QUESTIONNAIRE

I am a master student, at Kenyatta University and as part of my course requirement I am currently conducting a study on "*to investigate on the influence of financial management practices on financial performance of non-commercial SAGAs under social protection sector in Kenya*:

You are requested to kindly participate in the survey. The information you will provide is for academic purpose only and shall be treated with utmost confidentiality.

Thank you in advance for your co-operation and active participation to this academic effort.

Yours Faithfully,

KATEE SIMON MUTUNGI

Appendix II: Questionnaire for the top Management officials of non-commercial SAGAs under social protection sector in Kenya.

This questionnaire is meant to collect evidence on the topic: "*to investigate on the influence of financial management practices on financial performance of non-commercial SAGAs under social protection sector in Kenya.*

Kindly tick in the appropriate box.

SECTION A: DEMOGRAPHIC DATA

1. What is your Gender?

a). Male **( )**

b). Female **( )**

2. Tick (√) in either of the Boxes provided to indicate your position in the state agency you work for

i) CEO/Director or Deputy ………………………… [ ]

ii) Finance/Accounting Manager…………………… [ ]

iii). Operations Manager…………………………… [ ]

iv). Other official Position-Specify……… [ ]

3. How long have you worked in the state agency in that capacity aforementioned?

a). Between 1-5 years: **( )**

b). 5-10: **( )**

c). 11-20: **( )**

d). Above 20: **( )**

4. What is your level of education?

a). Diploma certificate **( )**

b). Bachelor's degree **( )**

c). Both bachelors and master's degree **( )**

d). Doctoral degree **( )**

SECTION B: Budget management of the Agency

Using a 1-5 Likert scale, indicate as supposedly your opinion as pertains the relevant construct or variable indicated above. That is; 1 implies that the respondent Strongly Agree (SA), 2 to imply that the respondent Agree (A), 3 to imply that the respondent is Neutral (N), 4 to imply that the respondent Disagree (D), and 5 to imply that the respondent Strongly Disagree (SD).

Statements	SA [1]	A [2]	N [3]	D [4]	SD [5]
There is always a budget blueprint to guide on budget for every five years like a master budget					
The master budget is broken down to sub-budgets for each department					
Each department/section head is responsible and accountable of budget implementation					
There is a budget oversight team in every department to ensure budget is strictly adhered to					
The internal auditor ensures that the budget is attainable and as per the cash allocations for the period					

Source: (Researcher 2022)

SECTION C: Financial Controls of the Agency

Using a 1-5 Likert scale, indicate as supposedly your opinion as pertains the relevant construct or variable indicated above. That is; 1 implies that the respondent Strongly Agree (SA), 2 to imply that the respondent Agree (A), 3 to imply that the respondent is Neutral (N), 4 to imply that the respondent Disagree (D), and 5 to imply that the respondent Strongly Disagree (SD).

Statements	SA [1]	A [2]	N [3]	D [4]	SD [5]
Financial reporting of the agency is as per IPSAS					
The agency management has put in place ICS to ensure no misuse of finances and other assets of the agency					
Cost-Benefit model is used to assess the cost and benefit of projects and other expenditures					
KENAO's financial control advises, and compliance guidelines are strictly adhered to					
There is a monitoring and evaluation section or team with the responsibility of ensuring that projects go as planned					

Source: (Researcher 2022)

<u>SECTION D:</u> Funding practices of the Agency

Using a 1-5 Likert scale, indicate as supposedly your opinion as pertains the relevant construct or variable indicated above. That is; 1 implies that the respondent Strongly Agree (SA), 2 to imply that the respondent Agree (A), 3 to imply that the respondent is Neutral (N), 4 to imply that the respondent Disagree (D), and 5 to imply that the respondent Strongly Disagree (SD).

Statements	SA [1]	A [2]	N [3]	D [4]	SD [5]
Transfer of funds from central government is timely to fund projects in an effective and manner					
Transfer of funds from central government is as per planned in the national budget					
Grants are sufficient for the identified project or any other nature of expenditure					
Grants and donor funding have covenants and conditions which the agency adheres to always					
All funding, be it government transfers, or donations from other agencies are all well utilized and clean bill of health provided by the KENAO office after auditing					
The agency always reports in detail to the donors how cash/funds are spent every financial period					

Source: (Researcher 2022)

Appendix III: Secondary Data Collection Sheet -Financial Performance

NO	NAME OF THE SAGA	Total Disbursement per Annum					Total Actual Expenditure Per Annum				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
1.	National Drought Management Authority										
2.	Sports Kenya										
3.	Anti-Doping Agency of Kenya										
4.	Kenya Academy of Sports										
5.	Sports Art and Social Development Fund										
6.	National Museums of Kenya										
7.	Kenya National Library Services										
8.	Kenya Cultural Centre										
9.	National Heroes Council										
10.	National Industrial Training Authority										
11.	National Employment Authority										
12	National Council for Children Services										
13	National Council for People with Disabilities										
14	Child Welfare Society of Kenya										
15	Street Families Rehabilitation Trust Fund										

16	Women Enterprise Fund										
17	Anti-Female Genital Mutilation Board										
18	Uwezo Fund										
19	National Government Affirmative Action Fund										

Source: (Researcher 2022

Appendix IV: List of SAGAs under the Social Protection Sector in Kenya

1.	National Drought Management Authority
2.	Sports Kenya
3.	Anti-Doping Agency of Kenya
4.	Kenya Academy of Sports
5.	Sports Art and Social Development Fund
6.	National Museums of Kenya
7.	Kenya National Library Services
8.	Kenya Cultural Centre
9.	National Heroes Council
10	National Industrial Training Authority
11	National Employment Authority
12	National Council for Children Services
13	National Council for People with Disabilities
14	Child Welfare Society of Kenya
15	Street Families Rehabilitation Trust Fund
16	Women Enterprise Fund
17	Anti-Female Genital Mutilation Board
18	Uwezo Fund
19	National Government Affirmative Action Fund

Source: National Treasury of Kenya, 2022

Appendix V: NACOSTI Permission Letter

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **610217**

Date of Issue: **25/May/2023**

RESEARCH LICENSE

This is to Certify that Mr.. SIMON MUTUNGI KATEE of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL PERFOMANCE OF NON-COMMERCIAL SEMI-AUTONOMOUS GOVERNMENT AGENCIES IN SOCIAL PROTECTION SECTOR IN KENYA for the period ending : 25/May/2024.

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