EFFECT OF CAPITAL BUDGETING PROCESS ON FINANCIAL PERFORMANCE OF KILIFI COUNTY GOVERNMENT

BY

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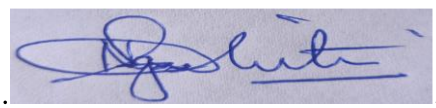
DECLARATION

I do hereby declare that this is my original work and has not been submitted to any other institution of higher learning for examination.

Signed………  ……………… Date…28th November 2022.

Elinor Fatma Said **D63/29241/2019**

This project has been submitted for examination with my approval as university supervisor.

Signed……  ………….. Date…28th November 2022.

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DEDICATION

I dedicate this project to God Almighty, my creator and strong pillar. Special dedication to my late father, Katana Dadi Mwauchi (Paba KDM) who passed on 20yrs ago. It`s your timeless teachings, memories and your love for education that has been my driving force and eminent foundation towards the execution of this study. You will always be my true inspiration; may you continue resting in peace. To my three beautiful daughters Caryl (Dr. Kwambox), Elaine (Cpt. Sati) and Colleen (Eng. Atandi), you have always been my source of joy and have surrounded me with strong love shield. My love for you is immeasurable! God bless you abundantly.

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Glorious Lord enabled me to advance academically. His support, blessing, knowledge, and sound health enabled me to study. I am greatly indebted to the privilege and honor of my able supervisor Dr. Mohammed Mwachiti for his sacrifice, enthusiasm, generosity of knowledge and holistic perspective to complex approach to issues. His efforts and concern made me emerge victorious in this study. Besides the knowledge and analytical skills, I improved substantially on the standards and the requirements.

I am also gracious to my moderator Dr. Okiro for his great input on this study. The positive criticism encouraged me to enhance my techniques and understanding hence a pathway to the success of this research. The guidance promotes professionalism and builds the spirit of resilience. In nutshell, the pieces of advice, guidance and criticisms was an immense landmark hence driving me towards successful completion of the study.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of variance
ARR	Accounting Rate of Return
CFO	Chief Finance Officer
CMA	Capital Market Authority
DCF	Discounted Cash flows
GDP	Gross Domestic Product
NSE	Nairobi Securities Exchange
SPSS	Statistics Programme for Social Science

ABSTRACT

The government budgeting refers to the allocation of revenues and the borrowed funds in order to achieve the social, political and economic objectives of the country. Budgeting process involves four phases, preparation, authorization, execution and accountability. The main purpose of budgeting in the county governments is to aid in the management of the public and donor resources that are limited in order to achieve efficiency in service delivery to the public. Therefore, capital budgeting fuels the firms' performance, survival and the profitability. Additionally, it reinforces capital budgeting expenditures that call for immense funds outlay. A government has greater responsibility of ascertaining the superior way to source, raise and repay the finance. The main aim of the examination was to assess the effect of budgeting processes on the financial performance of Kilifi County Government. In a nutshell, the researcher was motivated to utilize descriptive research design to promote accuracy. A research design is a strategic metric portraying how data is garnered for computation and quantification. As a consequence, the target population was 5 officials from each of the 7 Kilifi sub counties and 5 officials from Kilifi County headquarters. Furthermore, the study contacted the 35 ward administrators from all the 35 wards in Kilifi County. Therefore, the information was collected from the county officials who participated in the study. The officials were drawn from Kilifi County headquarters and sub-county headquarters. The participants were drawn majorly from the department of finance and budget planning. Furthermore, some data was collected from staff of the County Government of Kilifi. Subsequently, it was subjected to SPSS to arrive at an authentic and verifiable outcome. From the results presented, it can be observed that budget planning, controlling, coordinating and evaluation jointly explained 70.7% of the total variations in financial performance of Kilifi County government. This is indicated by the value of R in the model (0.707). This therefore means that the variables chosen in the study are significant in explaining the variations in financial performance and hence are relevant in the study. Furthermore, the coefficient of budget planning is statistically significant and positive (β=0.271, P=0.008<0.05). In addition, budget controlling had a statistically significant and positive coefficient (β=0.16, P=0.035<0.05). Moreover, budget coordinating on the other side registered a statistically significant and positive coefficient β=0.257, P=0.011<0.05). Finally budget evaluation had a positive and statistically significant coefficient (β=0.271, P=0.009<0.05). The study recommended that the county government should enhance its budget planning process to capture the priority projects as well as utilizing the limited county financial resources. In addition, proper budget coordination should also be carried out between the various county departments. Quality of budget control should be taken into consideration and finally upon completion of every project, the county government should invest in the evaluation of the actual budget against the planned budget.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The core mandate of any business is the optimization of the shareholders wealth. Pandey (2010) elaborated that capital budgeting fuels the firms' performance, survival, and the profitability. Additionally, it reinforces capital budgeting expenditures that call for immense funds outlay. A government has greater responsibility of ascertaining the superior way to source, raise and repay the finance. Most importantly, it delves on the longevity commitment that blueprints business stability. Moreover, it gives keen attention to the timing for the financial stability. According to Kinyua (2018) capital budgeting is critical in enhancing financial performance.

There are a number of theories anchoring the research; the modern portfolio theory embedded by Markowit (1952). It demonstrates the significance of risk diversification and balancing the rewards and risk to realize quality outcomes. Furthermore, conventional budgeting theory formulated by Wood and Randall (1989) exemplifies the examination and selection of opportunities before financing. Additionally, contingency theory delineated by Fielder (1960) elaborates useful methods in capital budgeting. The techniques are the cornerstones for capital budgeting to realize performance.

The Kenyan constitution 2010 structured the governments in Kenya to consist of the National government and the 47 counties. It provided that the national government should transfer at least 15% of the total revenue collected nationally to the counties. Counties however have own source revenues and hence collect revenues to augment the allocation from the national governments. These collections are minimal though. Therefore, the county governments have the capacity of formulating, adopting and implementing their own budgets (Kinyanjui & Kinuthia, 2021). The county budget cycle encompasses the processes including the formulation, approval, and the implementation of the county budgets. Upon formulation, the budgets are approved by the legislative arm of the county assembly, which paves way for its implementation to provide the much-needed services by the citizens (Kinyanjui & Kinuthia, 2021). The county governments through the Development Act of the county governments provided for the development of the county development integrated plan (CIDP). CIDP outlines the vision of the county within a given period of time (Mohamed, 2018).

1.1.1 Budgeting Processes

According to Mohan and Narwal (2017), budgeting process is instrumental in decision-making, allocation of resources and longevity planning. It is critical in analysis of projects' feasibility and viability. Additionally, it drives the careful planning, pragmatic and cost efficient techniques of managing projects. Jama (2018), elaborated that the survival of an organization is built on capital budgeting. The investment appraisal reinforces the capital assets in numerous ways. In addition, it enhances clarity of the objectives and risk mitigation strategies. Mwangi (2014) illustrated the importance of capital budgeting in clarifying decisions, lowering risk and providing the worthiness of a project via the use of several techniques and methods of budgeting.

Government budgeting refers to the allocation of revenues and the borrowed funds in order to achieve the economic, social and political objectives of the country. Budgeting may also entail good utilization of public financial resources to maximize the delivery of services to the citizenry. Budgeting allows the government to put plans into actions, policies and programs within the limits of its financial capacity. Budgeting process involves four phases, preparation, authorization, execution and accountability (Samira, 2018). Subsequently, the main purpose of budgeting in the county governments is basically to aid in the management of the public and donor resources that are limited in order to achieve efficiency in service delivery to the public. Therefore, a good budget enables good utilization of the available resources to better the living standard of the county residents. Quality utilization of the county financial resources entails managing the county expenditure as well as raising more revenue.

The budgeting process gives the government focus on their future development goals. Furthermore, it helps in the coordination of activities as planned over a period of time. Budgetary controls are responsible for ensuring the realization of the county plans and objectives as per the set plans and suggest corrective measures where necessary. Budgeting amounts are normally revised on yearly basis (Bartle & Shields, 2008). The roles bestowed to the county governments with regards to the service delivery to the public are numerous whereas the resources at their disposal are limited. There is a possibility of the underutilization or wastage of these resources (Orina et al., 2019). This calls for a number of practices including proper budget control, planning, communication, coordination, and finally evaluation, in order to maximize service delivery to the public and reduce wastage.

1.1.2 Financial Performance

Financial soundness as postulated by Mohan and Narwal (2018) is the centerpiece of operation, effectiveness, productivity and stability. The financial soundness expounds on quality utilization of resources. It is a critical metric for comparison of firms across sectors, departments, nature and location. According to Munyao (2010) the monetary outcome results from the complex procedure of converting wide arrays of strategies, plans, and utilization of resources. A successful organization is related to the advancement in the financial performance. Yator (2018) opines that monetary performance is special epicenter of an organization. It is paramount in driving business to attain optimum effectiveness and efficiency. Moreover, it builds a strong foundation for growth, steady cash flows and cost reduction.

County government performance is measured through the consideration of how well the county governments utilize the funds allocated to them by the national government as per their budget estimates. Furthermore, the financial performance of the county governments can be gauged based on their own revenue generation. The ratio of the expenditures that go to development and those that are used as recurrent expenditure of these counties can also be used as a measure (Kamau et al., 2017).

Even though the county governments receive funds allocation from the national government, the management of the county governments should be independent. Proper oversight should be mounted on the county government executive. If these two roles are carried out effectively, the county will realize proper budget implementation discipline. In addition, the wastage of public funds will be minimized. The maximization of service delivery to the citizenry will be realized and hence the county government will be said to have achieved good financial performance (Jubery et al., 2017).

1.1.3 The Processes of Budgeting and Financial Performance

A budget expresses the plans of a county government over a specified timeframe. The period usually used by the governments is one year. The process of budgeting preparation involves a number of processes and stages including budget planning, coordination, control and evaluation processes. All these are carried out to ensure maximum and efficient service delivery to the citizens, which is the key role of the government (Lewis, (2007). Budgeting is critical in evaluating future plans of the county government usually presented in form of the county integrated development plan. With a budget, the county government can effectively plan on the sequence of services to be offered to the citizens as well as the funds allocation of the respective projects.

The measurements of financial performance of these governments can be in terms of the quality of service delivery of the government to its citizens. Effective budgeting processes are essential in the realization of financial performance of these county governments. Furthermore, effective budgeting processes will aid in quantifying the financial resources required which are augmented by both the national government and the county government own source revenue collection. The budgeting processes help in identifying areas to bridge the gap between the budget, the national government allocation and its own collection.

1.1.4 Kilifi County Government

Devolved units are the tenets and hallmark of economic productivity, financial performance, innovation hubs and technological powerhouse (Kipkirui, 2020). Kilifi County government came in place due to the promulgation of constitution stipulating the authority and power should be devolve to counties. The county has initiated many measures to enhance development as well as budgeting to increase prudential management of resources (GoK, 2021). The county is trying to build the best economic hub through the utilization of resources.

Since 2013-2019 the county has recorded periodic increment on the revenues allocated from the national government. It’s worthwhile clarifying that in 2013/2014 the national government allocated an aggregate of 5,518,308,482 Kenya Shillings to the Kilifi County. Additionally, the county registered a drastic increase in 2014/2015 through substantial allocation of 6,574,938022 Kenya Shillings. Furthermore, 2015/2016 exhibited another increment through an annual allocation of 7,842,163,405 Kenya Shillings. Moreover, 2016/2017 posted a significant improvement through immense allocation 8,563,981,588 Kenya Shillings. Consequently, it upgraded their allocation to greater amount of 10,650,268,698 in 2017/2018. Subsequently, 2018/2019 national government made paramount step by allocating the county 12,071,640,899 Kenya Shillings. Nevertheless, it decreased drastically in 2019/2020 to 10,968,181,930 Kenya Shillings. Therefore, the cumulative amount allocated was 62,516,300,300 Kenya shillings as at 31/12/2020. Based on the cumulative amount, the average per individual residing at the count was calculated at 6,111 Kenya Shillings (GoK, 2021). In a nutshell, the prudent utilization of resources is a cornerstone for the financial stability and sustainability of the county government.

1.2 Research Problem

A budget expresses the plans of a county government over a specified period of time span, preferably yearly. The process of budgeting preparation involves a number of processes and stages including budget planning, coordination, control and evaluation processes. All these are carried out to ensure maximum and efficient service delivery to the citizens, which is the key role of the government (Lewis, (2007). Budgeting is critical in evaluating the future plans of the county government usually presented in form of the county integrated development plan. With a budget, the county government can effectively plan on the sequence of services to be offered to the citizens as well as the funds allocation of the respective projects.

The county governments are key pillars of economic growth in Kenya (Kipkirui, 2020). Budgeting processes gives keen consideration to maximization of wealth, increasing productivity and promoting sustainability. Counties have embraced the budgeting processes in their investment decisions. However, the counties are facing financial predicaments due to unpaid bills, high recurrent expenditure and the misuse of resources. Mutinda (2013) concluded that; apart from improvement of cash flow, business stability and optimization of shareholders wealth, capital budgeting promotes the going concern of a business. Corruption, misappropriation, financial distress among other challenges in counties can be addressed via capital budgeting. Kilifi County has experienced great challenges though it has recorded growth periodically (KNBS, 2020).

Intentionally, research has been done to expound on capital budgeting versus the monetary performance in a wide array of set-ups. Globally, Ney, Fatima, Jose and Afonso (2017) pointed out positive and substantial capital budgeting importance in the financial performance. This research was spearheaded successfully in Brazil. Puwanenthiren (2016) elaborated significance of capital budgeting transformation of businesses in Sri Lank. Posthuma (2013) indicated that going concern of the business can be jeopardized with lack of quality focus on capital budgeting. Brealey and Myers (2010) proclaimed the superb step of addressing financial principles and strategies via capital budgeting.

Locally, Kinyua (2018) instantiate that capital budgeting exhibits no substantial effect on the financial performance. Wachira (2017) insinuated a positive linkage amid capital budgeting verses the performance. Yama (2018) accentuated that capital budgeting yield greater monetary performance. Yator (2018) pointed out the importance of capital in steering wheels of firms towards financial performance. It preoccupies effective operation, expansion, liquidity and guard the business against emerging risks. Mutinda (2013) interrogated the association to substantiate optimal investment appraisal for quality financial performance.

From the global and local studies, it can be deduced that great knowledge gap still exists. In addition, the global studies were successfully accomplished in the well-operational and developed nations thereby posting contextual gap. Additionally, all the reviewed studies have focused on the different economic sectors with minimal consideration to county governments. The studies have maximized different empirical techniques while others expounded on different concepts hence posting empirical and conceptual gaps respectively. Inconclusive and mixed results are the driving forces of this study. Therefore, this research is driven to resolve the question on; what is the effect of budgeting processes in the financial performance of Kilifi County Government?

1.3 Research Objective

The main aim of this study was to assess the influence of capital budgeting processes on the financial performance of Kilifi County Government.

1.4 Value of the Study

This study is critical in formulating policies relating to investment appraisal. The study will enhance decision making by the contemporary managers. Additionally, it will boost evaluation and momentous decision making in dynamic business environment. It will help reinforce the acquisition of analytical skills and knowledge by managers. Therefore, managers may apply the current knowledge in corporate transformation and wealth optimization. Additionally, the study is useful to management teams of different firms.

The study elaborates the impacts of budgeting processes on the county government's wellbeing. Moreover, it provides a scrutiny tool to evaluate managerial skills and competence of managers. This is vital where remedial activity is necessary. The study enhances the theoretical pillars to exemplify understanding. It tests the assumptions, relevance and setbacks of the theories. Furthermore, financial practices are critical for investment, hence the managers may reap from this knowledge while enhancing adherence to theoretical presupposition.

The study is critical for academicians in building their understanding on investment and project outlay. In addition, it increases analytical know-how. The scholars may scrutinize different appraisal techniques and make sound judgment. It will help in appraising the preceding pinnacles of knowledge at the same time innovating new ways of doing things. The study will be a backbone to other research studies in the future. When researchers and academicians want to explore more in capital budgeting and performance of firms, they can refer to this study.

This study is of great importance to regulatory bodies, the regulatory boards may derive findings and recommendations from the study. Thereafter, utilize them in formulating new governing regulations. Moreover, recommendations may be used to improve the available regulatory policies since they may reflect current challenges in market environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The section pinpoints framework of the theories, highlight determinants, critique and review past studies. Capital budgeting and performance are elaborated in this chapter. From the empirical, international, regional to Kenyan studies, it presents the chronological events, accomplishments and the knowledge gap. Moreover, it gives a schematic diagram illustrating the conceptual model and finally wraps up by summarizing the past studies and existing gaps.

2.2 Theoretical Framework

This research is reinforced by the presuppositions that include modern portfolio theory by Markowit (1952) illustrating the importance of risk diversification and striking a balance between risk and rewards. Conventional capital budgeting theory coined by Wood and Randall (1989) delineates assessment and selection of best projects and opportunities before funding. In addition, contingency theory by Fielder (1960) elaborates techniques useful in capital budgeting. The methods epitomized rely on enablers of capital budgeting.

2.2.1 Modern Portfolio Theory

This theory was embedded by Markowit (1952) to exemplify the concept of risk versus the return. The theory is applied to finance and budgeting to come up with conclusive outcome. The theory is critical in the technical computation and mathematical fundamental analysis of risk. It posits that risk must be mitigated and minimized in portfolio selection. The business with minimal risks is prioritized for investment according to theory. Therefore, striking a balance between risk and return is crucial in the sound investments decisions.

The drawbacks of the theory include the use of past information which may not be highly beneficial to the organization. The volatile market exhibit is not friendly to the modern portfolio theory due to trends and its dynamic nature and particularly the county government. Additionally, the risk and reward decision making process is affected by the traits and behavior. The risk-aversion, risk-taking, risk neutral and supreme aspects cause variance in decision making.

The importance of the theory relates to striking optimum level of risk and return. Therefore, it calls for diversification to minimize risk and losses to an organization. The counties strive for highest return but with minimal risk, nonetheless, it has to make decision based on the expected returns. Subsequently, a good budget enables good utilization of the resources at disposal to enhance the quality of life of the county residents. Quality utilization of the county financial resources entails managing the county expenditure as well as raising more revenue. The sacrosanct of the theory can be internalized through vision of the firm, experience and risk-behavior of the management (Yama, 2018). The firms diversify risk to stabilize earnings despite the global volatility.

2.2.2 Conventional Capital Budgeting Theory

It was put forward by Wood and Randall (1989). The hypothesis explains administrative phases of grouping capital projects and valuing them. Whereby the phases include scrutinizing investment, cash inflow and cash outflow to assess if the project invested can meet the desired return set by benchmarking team. There are different capital budgeting techniques such as payback, discounted cash flow, among others.

Conventional capital budgeting theory faces a number of limitations. Even though cash flow is the most fundamental step when it comes to capital budgeting, it is hard to get it correct by forecasting. The other limitation is the time horizon in prediction of cash flows. In a nutshell, it becomes more difficult and ambiguous since business environment keep changing and these changes have impact on the investment. Finally, capital budgeting approaches do not appreciate that the value of money changes overtime, specifically payback period, disregarding that equal sum of money have different value depending on several factors at a given time.

Despite the above setbacks, conventional budgeting theory is useful in this study. Firstly, the knowledge from this theory can be maximized in evaluating how shareowners' wealth can be used to generate more wealth to a firm. Secondly, the theory is important when it comes to evaluation and selection of the best project to invest in. lastly, since the project can be financed by loan, the firms can examine all projects, take into keen consideration and choose the most appropriate financing option.

2.2.3 Contingency Theory

Fred Fielder (1960) developed contingency theory. In regard to this theory, the technique used by a firm for selection of budgeting capital depends on various determinants in furtherance to the successfulness of capital budgeting. Moreover, it is not a product of the approach selected, rather it considers a wide array of fundamental issues. Pike (1986) advanced the contingency theory by stipulating that asset portion ability is not just way of encouraging current hypothetical assumptions, strategies, and techniques. Nevertheless, the study advocated for quality framework that conform to capital budgeting.

The theory has various kinds of disadvantages. Foremost, the contingency theory is time consuming since contingent scenario or events list is endless. Moreover, the process and scope of this theory is complex. Additionally, the theory does not have specific parameters for measuring performance. The theory evaluation of the performance is easier whenever there are critical metrics bridging the gaps between targets and achievement. The organization relies on the objectives to thrive. Objectives are the master plan giving the organization a bold road map towards accomplishment of goals. Nevertheless, contingency theory provides an avenue for managers to associate failure with the contingent forces.

Despite the above criticisms, the contingency theory is relevant to this research. It is crucial since it elaborates on the dynamic scope. Furthermore, it assists firms to adapt easily to market and business changes. Furthermore, the theory encourages creativity at display. The theory encourages smart analysis of risk, control and makes longevity investments. Finally, the contingency theory reinforces the capability of managers of a firm to make sound decisions, enhance quality leadership and analytical skills.

2.3 Determinants of Financial Performance

This refers to the variables causing changes in the independent variables. In a nutshell, it incorporates the predictor variables which include budget coordination, budget planning, budget evaluation and budget control. The financial performance in a county is cardinal for the economic growth and transformation.

2.3.1 Budget Planning

This entails the process of budget preparation with the main focus of providing effective service delivery and avoiding the risks associated with spending without a plan. County revenue has limited resources that cannot be used to perform and provide all the necessary services at once. Budget planning enables the government to recognize the deficit as well as the priorities that should be considered during service delivery. It also enables the well utilization of funds because the amounts allocated to each project can be scrutinized before the actual expenditure is approved and the payments made (Walther & Skousen, 2009).

It also outlines the roadmap in which the county government will utilize the available resources to achieve set objectives. It enables the government to come up with expenditure plans that lead to the realization of the set objectives and goals. Further, with budget planning, the government is able to identify the necessary resources to meet the objectives as well as enabling the government to deal with any uncertainties that may be experienced in the future. Budget planning enables adequate planning and good utilization of the available resources to facilitate service delivery to the common person (Wakulele et al., 2016).

2.3.2 Budget coordination

Budget coordination is instrumental in ensuring the smooth operations between the different departments in a government. The process of budget coordination entails the organization and the acquisition of the necessary personnel to carry out the planned tasks. Good coordination between the various departments and also within the county government management will make the service delivery smooth. The project delivery will also be done in a timely manner. The costs involved in carrying out the project will be minimized. Foster, (2017) argued in a study that lack of proper management of financial resources including lack of budget or poor budgeting results in organizational failure.

2.3.3 Budget control

Budget control entails the process of ensuring that the governments spend according to the budget. Budget control mitigates spending beyond the budgeted limits in any given project and hence the resources will be allocated accordingly and the citizens will receive optimum service delivery with value for money. The control of budget entails the procedures aimed at mitigating extra expenditure and it ensures that the actual plan conforms to the budgeted plan. Budget control promotes coordination and communication among the actors. In addition, it improves the allocation of scarce resources and as well as enabling remedial action in case of any budget variance. Furthermore, it provides the basis for appraisal as well as the specific areas of responsibilities of the various actors (Marginson, D. 2013).

Budget control ensures the success of the budget right from the plan to achievement of the results. It is a system where the organization controls its costs through the preparation of budget to avoid any financial variations. Through the budgets, sources of any variations that may occur during the implementation of the various projects can easily be ascertained. Budget control aims at planning, coordinating and also control over the planned and the actual budget. The control of budget enables the government to achieve the planned objectives and goals by ensuring that the activities within the county government are implemented in accordance with the budget limits planned (Mahroqi et al., 2021).

2.3.4 Budget Evaluation

This is the process of analyzing the budget expenditure. It involves a comparison of what has actually been spent against the planned expenditure in the budget. The essence of a budget is to create expenditure plans and the limits. Through a budget, the government is able to plan well for the resources at its disposal based on priority activities and projects to be done. The increasing resource allocation to the county government from the national government needs a clear demonstration that the allocation is affecting positively on the lives of the county residents. Evaluation therefore is intended to monitor the public resources use, conforming to the requirements of the county development integrated plan (Hammond, 2006).

2.4 Empirical Literature Review

Puwanenthiren (2016) assessed effect of capital budgeting in the productivity and performance of companies. This research was undertaken in Sri Lanka with key consideration of an aggregate of 150 companies to represent the sample size. The primary data was prioritized to generate reliable and accurate information. The secondary data spanning from 2003-2012 presented the data for analysis. The research established that the sound judgment on capital budgeting can be complex or a simple technique, however, the objective is to enhance economic outlook and transformation in the market.

Kedige (2017) posit that NPV and IRR had a supreme role in the financial performance. As a consequence, the context of the investigation was South Africa with keen analysis of capital budgeting techniques. The firms examined indicated that NPV, IRR and PBP were great players driving the companies to perform successfully financially.

Al-Mutairi (2018) assessed the capital budgeting methods. The study was spearheaded in Kuwait. The findings exemplified that top management personnel are key enablers of capital budgeting. The study recommended projects and investments appraisal before allocation of finances. NPV was the cornerstone for appraising funds.

Another research was conducted by Ofunya in 2017. The study aimed to assess the association between budgeting capital approaches and Water Service Boards in Kenya in regards to their performance. The researcher assessed 8 boards for water services which were existing in the year 2008. In addition, the researcher adopted descriptive design and further regression arithmetic to analyze the content of the findings. Its results argue the presence of a great bond between the budgeting capital approaches and performance of Water Services Board. The study only focused on water services board organizations, thus findings from the study do not reflect firms in various sectors of economy, therefore this study looks at the county government hence different sectors of economy.

Afonso et al., (2017) undertook a comprehensive assessment to examine activities of budgeting in cotton industry in Brazil. An aggregate of 10 small scale firms were targeted in the cotton ginning activities. Interview guides played an important role in gathering data. In addition, qualitative, exploratory technique as well as content analysis was put into use during analysis phase. From the findings, capital budgeting approaches are not sophisticated. In addition, this examination has limitation since the findings cannot be generalized.

Muthoka (2013) explored relationship between budgeting capital approaches and manufacturing entities' growth in Nairobi Securities Exchange, Nairobi, Kenya. The data gathering tools used were descriptive design and a census survey. An aggregate of eight firms were targeted and from this sample, a finance officer from each institution was interviewed. Thereafter, content analysis was optimized to analyze the collected data and descriptive statistics. The outcome from this research is that budgeting capital approaches is crucial to the growth of manufacturing firms at NSE. Thus, it determines the failure and success of an enterprise in the future, depending on assessment and investment verdict arrived at. This study gives country's particular findings and recommendations which cannot be consumed worldwide.

Maroyi (2011) did an examination of capital budgeting to give in-depth understanding. Subsequently, the focus of the study was to establish the budgeting approaches used by South Africa's mining companies. The researcher adopted interview guide and questionnaires to collect data. Data was collected from 10 mining JSE firms. The gathered data was then computed using descriptive analysis tool. Correspondingly, it was wrapped-up in this research that mining firms in South Africa utilized most DCF method than budgeting capital method. However, the study targeted only mining firms therefore recommendations cannot be generalized and utilized everywhere else. In addition, the study aim was to explore the most preferred budgeting capital approach and not performance of the firms.

Cherono (2017) investigated relationship between firms in manufacturing sector financial performance and capital structure. The study aimed at 15 firms in Nairobi Securities Exchange manufacturing sector. The duration for the examination was 2012-2016. Data collected from the 15 firms through descriptive approach, was then analyzed using STATA. It was concluded that structure of capital has no significant impact when it comes to financial performance. Therefore, this examination sought to fill-up the gap in research on how capital budgeting influence financial performance.

Kachila (2012) did an assessment to find out the connection amid the efficiency in capital budgeting and variations in return stock. The targeted sector was manufacturing organizations at Nairobi stock exchange. Secondary data from 2007 to 2011 were utilized in the study. Further, researcher employed regression as well as correlation analysis to scrutinize the assembled data. The findings showed that return stock variations and budgeting capital efficiency have positive correlation. The research only focused on the effect of budgeting capital on price shares, leaving a gap on performance of the firm as well as finance. Therefore, this study will fill in the gaps left by the study.

Gupta & Pradhan in 2017 carried out a study to explore budgeting capital approaches utilized in manufacturing companies in India. The study maximized primary data, where by 250 firms were issued with questionnaires, however 75 firms responded. Correspondingly, regression computation was then done on the data garnered. The researcher pointed out that discounted approach was mostly being used by the companies. The study has shortcomings since it focused on which capital budgeting method being used and not the impacts of the budgeting capital approach. Thus, leaving a research gap on impacts of budgeting capital on performance of firms.

A study was carried out by Klammer (2008) on the interrelation between budgeting capital method and performance of companies. Two budgeting capital approaches to evaluate were, pay back approach and discounted approach. Population aimed at was 184 manufacturing companies in America. Data was then collected from 184 firms and analyzed by regression model. Research found out that budgeting capital approaches and performance of finance have insignificant relationship to America firms. Findings from the study may not reflect various regions since its in America context, hence it may not hold true for various regions like Kenya. This study will particularly target Kenya.

2.5 Conceptual Framework

Empirically, the schematic representation provides the bold picture for the research objectives, determinants and their association. Its supremacy is reinforced by the variables of the study. This research analyzes; budget planning, budget controlling, budget coordination and budget evaluation.

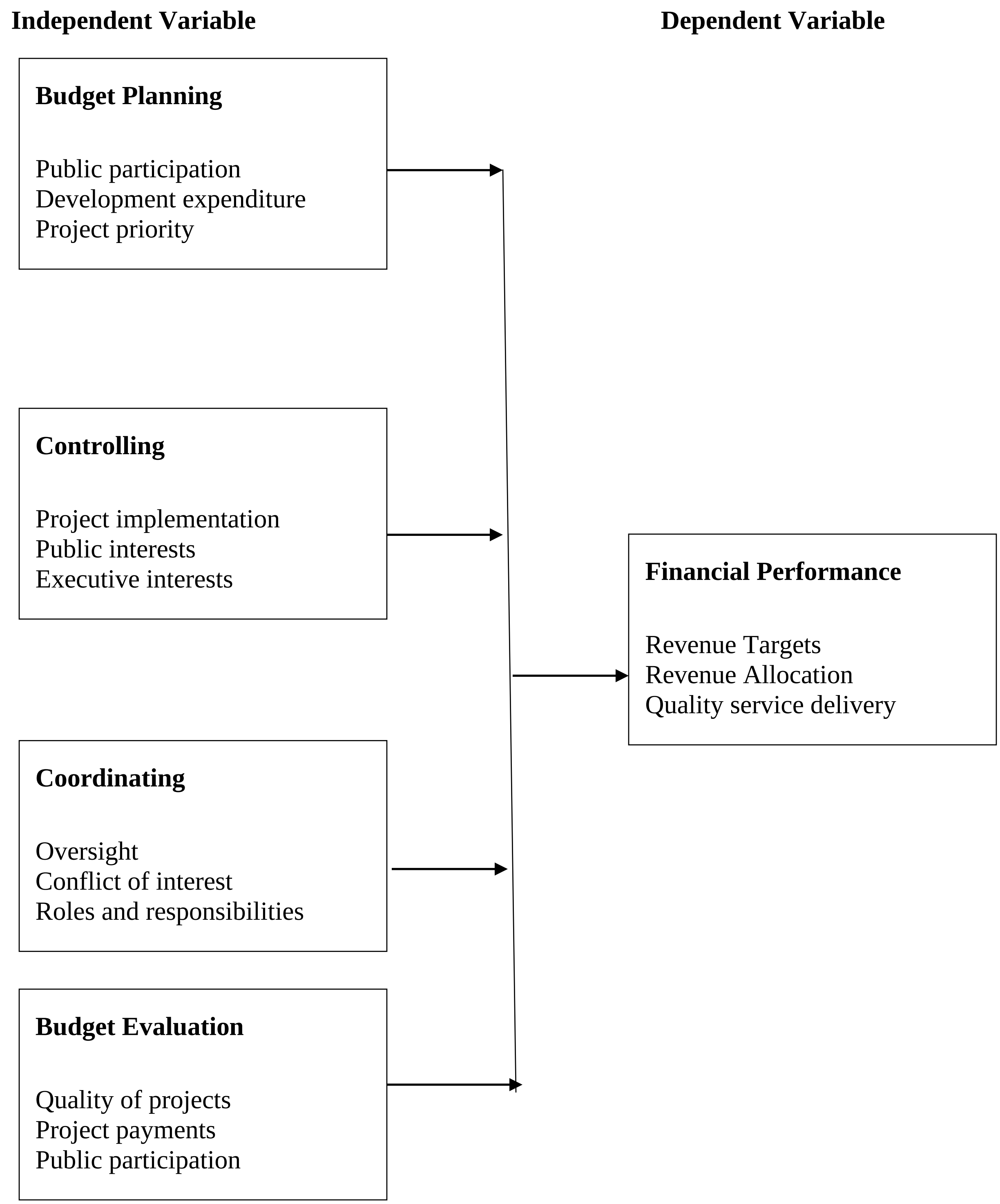

Figure 2.1 Conceptual Framework

Source: Researcher 2022

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The epicenter of an empirical computation is the assessment's methodology. The research design that conforms to the research objective and types of data to be collected is dispensed in this chapter. It presents the population that is sufficient for the study. The study goes further to scrutinize data analysis and crucial tests that enhance problem-solving.

3.2 Research Design

The researcher was motivated to utilize descriptive research design to promote accuracy. The research design is a strategic metric portraying how data is garnered for computation and quantification. It incorporates the categorization and assemblage of information for ease of analysis. It is a supreme tool in increasing the quality of analysis Kinyua (2018). It is a logical as well as systematic procedure for sourcing crucial data to increase conclusive findings.

The descriptive design was the epicenter for the investigation due to its little interferences from external factors. The detailed and comprehensive information can easily be generated. This reason put the design first among many other driving seamless outcomes. Therefore, it builds critical and fundamental aspects of capital budgeting and financial performance. It stamps great authority in formulation of analytical models and limits the obstruction on data.

3.3 Population

This is the lifeblood of data generation and the focal point of the assessment. It refers to the assemblage of objects, elements or individuals that exhibit similarities of traits. Population is one of the cornerstones of the study. It illustrates the total number of objects and individuals epitomized in the study. This study intended to undertake a case study of Kilifi County Government with chief mandate of assessing capital budgeting processes and the financial performance. The target population was 5 officials from each of the 7 Kilifi sub counties and 5 officials from Kilifi County headquarters. Furthermore, the study contacted the 35 ward administrators from all the 35 wards in Kilifi County. A contact of all the 75 target populations was obtained.

3.4 Data Collection

The county staff of Kilifi County government were requested to participate in this research. The researcher explained the purpose of the study to them and the confidentiality of the information that they will give. The staff were drawn from Kilifi County headquarters and its sub-county headquarters majorly from the department of finance and budget planning. Questionnaires were administered to them using drop and pick later method. The questionnaire was structured into 6 sections. Section A contained the demographic information, section B,C,D,E had the questions regarding the independent variables of the research and finally section F had questions on the dependent variable.

3.5 Operationalization of the Variables

This part is epicenter for determination of variable's types and the predicted interaction with predicted variable. This has been comprehensively operationalized in table 3.1

Table 3.1 Operationalization of Variables

Variables	Variable Types	Operationalization	Hypothesized and Predicted path
Budget Planning	Regressor	• Public participation • Development expenditure • Project priority	Positive
Controlling	Regressor	• Project implementation • Public interests • Executive interests	Positive/Neutral
Coordinating	Regressor	• Oversight • Conflict of interest • Roles and responsibilities	Positive
Budget Evaluation	Regressor	• Quality of projects • Project payments • Public participation	Positive/Neutral
Financial Performance	Regressed	• Revenue Targets • Revenue Allocation • Quality service delivery	Positive/Neutral

3.6 Data Analysis

The collected data was subjected to vigorous and thorough procedures which include reviewing, classifying, assembling and coding. The critical scrutiny of data to ensure completeness was also done to reaffirm that data is free from inferences. The data was collected from staff of the County Government of Kilifi. Subsequently, it was subjected to SPSS to reach an authentic and verifiable outcome. The analysis enhanced the synthesis of concrete findings for presentation and interpretation. Multiple linear regression was also conducted. This regression analysis helps in explaining the linear relationships between the explained and the explanatory variables of the study.

3.6.1 Diagnostic Test

Diagnostic tests created dependable solutions. Rigorous diagnostic tests aided in discovery of new facts, accurate resolution, realistic applicability and informed interpretation. The scientific examination of complex data relied on undertaking several tests to explain magnitudes, strength and direction of movement. The normality, autocorrelation and multicollinearity were spearheaded. The analysis was aided by VIF, Durbin Watson as well as Kolmogorov-Smirnova. The normality was fundamental in expounding empirical analysis through P-Value. Autocorrelation illuminated the randomness and lagged data. If the autocorrelation fails, the data is presented to more intensive and comprehensive analysis including Breusch-Godfrey test among others. The presence of great multicollinearity informs the researcher to eliminate the greatly correlated variables.

3.6.2 Analytical Model

Arithmetically, the articulation of joint connection empirically was essential for this examination. In consequence, the analytical model was pivotal in the definition of correlation amid the regressor and regressed variables. It gives great concern to metrics organized for quantification and computation of data. It drives towards a definite purpose which is testable, precise and objective. Rensik (2003) points out the importance of empirical model in linearity explanation as per the multiple regressions.

This is stated as;

$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Whereby:

Y= Financial performance

α_0 = constant variable

X_1 = Budget Planning

X_2 = Coordination

X_3 = Control

X_4 = Evaluation

ε = error-term

3.6.3 Significance Tests

The research computation of significance test may promote parsimony and exhaustive outcome. The test to be undertaken included F-Test, T-Test and ANOVA for systematic, diligent inquiry and knowledge generation. It connotes the far-reaching outcomes that meet testability and promote a conjecture hypothesis of 5% and 95% confidence level thereby aiding interpretations.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS, AND INTERPRETATIONS

4.1 Introduction

This section covers the response rate of this research, demographic characteristics of the respondents, inferential statistics as well as the descriptive statistics. The study variables included budget planning, controlling, coordinating and evaluation, which were the independent variables. In a nutshell, financial performance was the regressed variable with the contextual focal point of County Government of Kilifi.

4.2 Response Rate

This refers to the questionnaire's forms sent and received responses. In states returned questionnaires, hence reinforcing assessment. Some of the questionnaires may not be filled completely while others may not be returned. Out of a total of 75 questionnaires distributed in this study, 73 questionnaires were dully filled and returned. Consequently, this gives a 97.33% response rate. A rate of response over 70% is suitable for a research study according to Morton et al. (2012).

Table 4.1: Response Rate

Respondents	Sample Size	Returned	Unreturned	Return rate (%)
Kilifi County Officials	40	38	2	95%
Kilifi County ward administrators	35	35	0	100%
Total	**75**	**73**	**2**	**97.33%**

It can be observed that, from the 75 questionnaires administered, 73 were dully completed and returned giving a rate 97.33% of response. This, according to Morton et al. (2012) is good for a research study.

4.3 Demographic Characteristics of the Respondents

These characteristics entailed the respondents' age composition, gender and the number of years the respondents had been working for the County government of Kilifi.

4.3.1 Gender

This research was determined to find out the respondent's gender composition. The results are tabulated below.

Table 4.2: Gender composition of the Respondents

	Frequency	**Percent**
Male	40	54.8
Female	33	45.2
Total	**73**	**100**

The findings of the study indicate that 54.8% of those contacted were male whereas 45.2% were female. This indicates that the participants in the examination were fairly distributed across both sexes. In addition, Kilifi County government employees are also a mix of both male and female.

4.3.2 Age of the Respondents

It is imperative to contend that age of the respondents was significant in this study. This is because aged respondents are deemed to understand and have experience of the budgetary processes and its significance on the financial performance of the Kilifi County Government. As seen, the findings are shown in Table 4.3

Table 4.3: Age composition

	Frequency	Percent
Less than 20 years	22	30.1
Above 20 years	51	69.9
Total	**73**	**100**

It can be noted that 69.9% of those contacted in the study were above 20 years of age whereas 30.1% among the participants in the study were aged less than 20 years. This means that the study participants were suitable for the study.

4.3.3 Length of Service in the County

The years of service in the County government of Kilifi was relevant in the study because it determined the experience the respondents' posses with regard to issues of budgetary processes and hence its importance in enhancing the financial performance in the government of Kilifi County. Results of the years of service of those contacted are depicted in Table 4.4.

Table 4.4: Length of Service

	Frequency	Percent
Less than 3 years	29	39.7
3-6 years	24	32.9
6-9 years	11	15.1
Over 10 years	9	12.3
Total	**73**	**100**

The results presented in Table 4.4 point out that 39.7% of those contacted had served Kilifi County government for less than three years. 32.9% of the study participants had served the county government for between 3 to 6 years, 15.1% for between 6 to 9 years and finally 12.3% served for over 10 years. Majority of these respondents have served the county for less than 10 years because, most of these appointees are political appointees of the Governor in place. The maximum number of years a governor can serve are two terms equivalent to 10 years.

4.4 Descriptive Statistics

The research presented descriptive results of budget planning, budget controlling, budget coordinating and budget evaluation as frequencies, percentages, means and standard deviation. From the rigorous computation and systematic analysis, the descriptive results were delineated in a scale ranging from 1 to 5 where 4 represents agree, 1 strongly disagree, 3 Neutral, 2 disagree, and 5 strongly agree.

4.4.1 Budget Planning

Correspondingly, the experimentation aimed at determining the effect of budget planning on the financial performance of Kilifi County. The descriptive results of budget planning are tabulated in the table in the section next.

Table 4.5 Descriptive results of budget Planning

	SD	D	N	A	SA		
	f %	f %	f %	f %	f %	M	S Dev
The public are involved in the budget making-process	6 8.2%	4 5.5%	12 16.4%	26 35.6%	25 34.2%	3.8	1.2
The county government emphasizes on priority projects	6 8.2%	8 11%	13 17.8%	29 39.7%	17 23.3%	3.6	1.2
The views of the public are taken seriously	9 12.3%	7 9.6%	14 19.2%	21 28.8%	22 30.1%	3.5	1.3
The government allocates enough funds towards development	3 4.1%	8 11%	8 11%	28 38.4%	26 35.6%	3.9	1.1
Public participation in the budget making process is encouraged	4 5.5%	8 11%	8 11%	23 31.5%	30 41.1%	3.9	1.2

It can be observed from the results that, the public involved in the budget making process attracted the following responses, 26(35.6%) of those contacted were in agreement, 25(34.2%) strongly agreed and 12 (16.4%) held a neutral stand. The statement had a standard deviation together with a mean and of 1.2 and 3.8 consecutively. On whether the county government emphasizes on priority projects, 13(17.8%) of the respondents did not take side, 17(23.3%) agreed strongly while 29(39.7%) agreed with the statement. The line standard deviation was 1.2 and its mean was 2.6

Concerning the question on whether the views of the public are taken seriously, the responses of those contacted indicated that 22(30.1%) strongly agreed, 14(19.2%) did not take any position and finally 21(28.8%) were in agreement. The line average was 3.5 and its corresponding standard deviation was 1.3. In addition, the statement that the government allocates enough funds towards development received the following responses, 26(35.6%) of the responses were strongly in agreement whereas 28(38.4%) agreed and finally 8(11%) did not take any position. The standard deviation of the statement was 1.1 while its mean was 3.9.

Finally, with regards to the statement that public participation in the budget making process is encouraged, the responses indicated that 23(31.5%) of those contacted were in agreement with the statement while 8(11%) did not take sides and finally 30(41.1%) agreed strongly with the statement. The mean as well as the standard deviation of the statement was 3.9 and 1.2 respectively.

4.4.2 Budget Controlling

The research sought to explore the influence of budget controlling on financial performance. Contextually, the study concentrated in the County Government of Kilifi. The descriptive statistic of budget controlling is shown in Table 4.6

Table 4.6: Descriptive Statistics for Budget Controlling

	SD	D	N	A	SA		
	f %	f %	f %	f %	f %	M	S Dev
The budget is usually implemented according to the plan	6 8.2%	7 9.6%	8 11%	27 37%	25 34.2%	3.8	1.2
The suggestions of the public are given priority	3 4.1%	8 11%	7 9.6%	21 28.8%	34 46.6%	4.0	1.2
All the suggestions of the public are implemented	4 5.5%	10 13.7%	10 13.7%	27 37%	22 30.1%	3.7	1.2
The interests of the executive are given priority	4 5.5%	8 11.0%	13 17.8%	35 47.9%	13 17.8%	3.6	1.1
Funds allocated for each particular project are disbursed on time	7 9.6%	10 13.7%	11 15.1%	26 35.6%	19 26%	3.5	1.3

The statement that the budget is usually implemented according to the plan attracted the responses as follows, 8(11%) of those contacted were in agreement, 27(37%) held a neutral stand whereas 25(34.2%) agree strongly with the statement. As a result, its average and the SD of the statement were 3.8 and 1.2 in that order. The responses with regards to the statement that the suggestions of the public are given priority show that 34(46.6%) of the study participants were strongly in agreement, 7(9.6%) did not take any position while 21(28.8%) were in concurrence with the statement. The line SD and the respective mean was 1.2 and 4.0 respectively.

The question all the suggestions of the public are implemented received the following responses, 10(13.7%) of those contacted held a neutral stand, 27(37%) were in agreement with the statement and finally 22(30.1%) strongly agreed. The line average and the line SD were 3.7 and 1.2 respectively. With respect to the question, the interests of the executive are given priority, 13(17.8%) of those contacted in the study were strongly in agreement, 13(17.8%) did not take any position whereas 35(47.9%) agreed with the question. The line mean and its corresponding standard deviation were 3.6 and 1.1 respectively.

Concerning the statement, funds allocated for each particular project are disbursed on time, the responses did show that 26(35.6%) of the participants of the study were in agreement with the statement, 19(26%) strongly agreed and 11(15.1%) held a neutral stand. The standard deviation of the statement was 1.3 and its corresponding mean was 3.5.

4.4.3 Budget Coordination

The study further sought to exploit the influence of budget coordinating. It is worth elucidating that the context of assessment was Kilifi County Government. Additionally, the regresses variable was financial performance thereby increasing apprehension. Subsequently, the descriptive results of this study are shown in Table 4.7

Table 4.7: Descriptive Statistics for Budget Coordinating

	SD		D		N		A		SA			
	f	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**M**	**S Dev**
During implementation, the government follows keenly on the progress of projects	5	6.8%	12	16.4%	9	12.3%	23	31.5%	24	32.9%	3.7	1.3
The government employees allocate themselves the project work	5	6.8%	16	21.9%	11	15.1%	24	32.9%	17	23.3%	3.4	1.3
Projects are implemented according to the set quality standards	6	8.2%	12	16.4%	11	15.1%	18	24.7%	26	35.6%	3.6	1.3
There are clear roles and responsibilities among the government employee regarding project implementation	5	6.8%	6	8.2%	13	17.8%	25	34.2%	24	32.9%	3.8	1.2
The public is involved in the management of the projects	2	2.7%	13	17.8%	15	20.5%	27	37%	16	21.9%	3.6	1.1

From the results tabulated, it can be observed that 24(32.9%) of the respondents strongly concurred and rubberstamped the statement that during implementation, the government follows keenly on the progress of projects, 9(12.3%) did not take any side while 23(31.5%) of the respondents concurred with the postulated statement. The mean and its corresponding standard deviation were 3.4 and 1.3 respectively. With regards to the statement the government employees allocate themselves the project work, 24(32.9%) of those contacted were in agreement with the statement, 11(15.1%) of them did not take any side whereas 17(23.3%) strongly agreed. The mean and its corresponding SD were 3.4 and 1.3 respectively.

Concerning the question, projects are implemented according to the set quality standards, the responses pointed out to these results, 11(15.1%) of the respondents held a neutral position, 26(35.6%) were of a strong agreement regarding the statement and finally 18(24.7%) were in agreement with the statement. The mean and the SD of the articulated statement were 3.6 and 1.3 in that order. The statement, there are clear roles and responsibilities among the government employee regarding project implementation received the responses as presented. 13(17.8%) of those contacted held a neutral stand regarding the statement. 24(32.9%) strongly agreed with the statement and 25(34.2%) were in agreement. The line mean and SD of the presented statement were 3.8 and 1.2 consecutively.

Regarding the statement, the public is involved in the management of the projects, 16(21.9%) of the respondents did not take side, 27(37%) in agreement with the statement and finally 16(21.9) strongly agreed with the statement. Its standard deviation and the line mean were 1.1 and 3.6 respectively.

4.4.4 Budget Evaluation

The principal objective of the assessment was to evaluate the influence of budget evaluation on the financial performance of Kilifi County government. Consequently, the descriptive results are presented in Table 4.8

Table 4.8: Descriptive results for Budget Evaluation.

	SD	D	N	A			
	f %	f %	f %	f %	f %	M	S Dev
The county government is keen on quality of projects before payments to contractors are made	4 5.5%	10 13.7%	15 20.5%	21 28.8%	23 31.5%	3.7	1.2
The government do not pay for any poorly done project	2 2.7%	13 17.8%	11 15.1%	26 35.6%	21 28.8%	3.7	1.2
The payments of the projects are as per the budget limits	2 2.7%	9 12.3%	8 11%	23 31.5%	31 42.5%	4.0	1.1
The public is aware of the extent and quality of any project.	6 8.2%	12 16.4%	10 13.7%	23 31.5%	22 30.1%	3.6	1.3
The public is involved when the project is being handed over	4 5.5%	11 15.1%	16 21.9%	23 31.5%	19 26%	3.6	1.2

The summary of the respondents concerning the question, the county government is keen on quality of projects before payments to contractors are made pointed out that, 21(28.8%) of the participants in the study were in agreement with the statement while 23(31.5%) of them strongly agreed with the posited statement. However, 15(20.5%) of them did not take any side. The line mean was 3.7 and the line SD was 1.2. Subsequently, the statement, the government does not pay for any poorly done project recorded the following responses, 26(35.6%0 of those contacted agreed with the statement, 21(28.8%) of them had strong agreement with regards to the statement. Nevertheless, 11(15.1%)

held a neutral stand regarding the statement. The line mean and standard deviation were 3.7 and 1.2 in that order.

Concerning the statement, the payments of the projects are as per the budget limits, the summary of the responses show that 8(11%) of the participants of the study held a neutral stand, 31(42.5%) strongly agreed with the statement and finally, 23(31.5%) were in agreement with the statement. As a result, SD of the responses was 1.1 and the average was 4.0. The question, the public is aware of the extent and quality of any project attracted the responses as presented, 22(30.1%) of the responses were in strong concurrence with the prevailing statement, 10(13.7%) did not take any position while 23(31.5%) agreed with the statement. The line standard deviation and mean were 1.3 and 3.6 respectively.

Regarding, the public is involved when the project is being handed over, 19(26%) of the respondents strongly agreed with posted statement, 23(31.5%) were in agreement and finally 16(21.9%) did not take any position. The mean and the SD of the statement were 3.6 and 1.2 in that order.

4.4.5 Financial Performance

The explained variable of this experimentation was financial performance of the County government of Kilifi. The descriptive results of financial performance are presented in Table 4.9

Table 4.9: Descriptive results of financial Performance

	SD	D	N	A	SA		
	f %	**f %**	**f %**	**f %**	**f %**	**M**	**S Dev**
The county has been meeting its revenue collection targets	6 8.2%	13 17.8%	10 13.7%	23 31.5%	21 28.8%	3.5	1.3
More than 50% of the total revenue is allocated to development	3 4.1%	11 15.1%	6 8.2%	33 45.2%	20 27.4%	3.8	1.1
The county has been adequately utilizing its revenue	8 11%	12 16.4%	11 15.1%	21 28.8%	21 28.8%	3.5	1.4
There has been prompt payment of contractors	10 13.7%	8 11%	10 13.7%	18 24.7%	27 37%	3.6	1.4
There has been quality service delivery to the citizens as per their requirements during public participation	9 12.3%	9 12.3%	8 11%	26 35.6%	21 28.8%	3.6	1.4

The responses of the statement, the county has been meeting its revenue collection targets show that 23(31.5%) of the study participants were in agreement with the study, 21(28.8%) of them agreed strongly and 10(13.7%) held a neutral position. The line mean and the corresponding standard deviation were 3.5 and 1.3 in that order. The statement, more than 50% of the total revenue is allocated to development attracted the following responses, 6(8.2%) of those contacted did not take sides, 20(27.4%) strongly agreed with the statement and finally 33(45.2%) were in agreement. The line mean and SD of the statement were 3.8 and 1.1 respectively.

In addition, with respect to the county having been adequately utilizing its revenue, 21(28.8%) of the participants strongly agreed with the delineated statement, 21(28.8%) agreed and 11(15.1%) held a neutral position. The line standard deviation was 1.4 and its corresponding line mean was 3.5. The statement, there has been prompt payment of contractors received responses as follows, 18(24.7%) of those contacted in the study agreed with the statement, while 27(37%) agreed strongly with the statement and 10(13.7%) did not take any side. The line mean and the SD were 3.6 and 1.4 respectively. With regards to the question, there has been quality service delivery to the citizens as per their requirements during public participation, 8(11%) of the respondents held a neutral stand, 21(28.8%) strongly agreed with the statement and 26(35.6%) were in agreement. The standard deviation and the mean of the statements were 1.4 and 3.6 in that order.

4.5 Inferential Statistics

Further computation, the inferential statistics of the study included the correlation and regression statistics. The inferential outcomes are summarized intensively and extensively before they are presented in the subsequent section.

4.5.1 Diagnostic Tests

It is worth summarizing that, diagnostic tests cleared the data from obstructions and predicaments. Therefore, the dataset met the mandated threshold. Additionally, diagnostic tests create dependable solutions. Rigorous diagnostic tests aid in discovery of new facts, accurate resolution, realistic applicability and informed interpretation. The scientific examination of complex data relies on undertaking several tests to explain magnitudes, strength and direction of movement.

4.5.1.1 Normality Tests

Autocorrelation tests were carried using Kolmogorov-Smirnov. The research used Kolmogorov-Smirnov test in an analysis to test normality in the dataset. The results are shown below.

Table 4.10: Normality Test Results

	Kolmogorov-Smirnov[a]		
	Statistic	**Df**	**Prob**
Budget Planning	0.271	72	.154
Budget Coordination	0.16	72	.286
Budget Control	0.257	72	.100*
Budget Evaluation	0.271	72	.301*

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

From keen and conscious scrutiny, the null hypothesis posted the error term that exhibited abnormal distribution. Budget planning had a P-value of .154 > 0.05. This led to the rejection of the null hypothesis. Hence, the alternative hypothesis, the error term under consideration was normal distribution was adopted. Budget coordination had a P-value of .286 > 0.05. This meant the research failed to reject the alternative hypothesis that the error term under consideration was normally distributed. Budget control had a P-value of .100 > 0.05. This meant the alternative hypothesis that the error term under consideration was normally distributed was adopted. Budget evaluation had a P-value of .301 > 0.05. This meant that the error term under consideration was normally distributed.

4.5.1.2 Autocorrelation Tests

Autocorrelation tests of the study were done using Durbin Watson tests. Durbin-Watson value =2.0 shows no autocorrelation, >2.0 shows negative autocorrelation and <2.0 shows positive autocorrelation. The Durbin-Watson results are tabulated below

Table 4.11: Autocorrelation Tests

Model	Durbin-Watson
1	2.002a

From the findings presented, the value of Durbin Watson was 2.0 showing that the data had no Autocorrelation.

4.5.1.3 Multicollinearity Tests

Multicollinearity tests in this research were carried out using the variance inflation factor method. A VIF value >10 implies the presence of multicollinearity whereas a VIF value of <10 implies that the data set has no multicollinearity. The multicollinearity test results are shown in the table below.

Table 4.12: Multicollinearity Test Results

	Tolerance	VIF
Budget planning	0.746	1.34
Budget controlling	0.66	1.515
Budget coordinating	0.766	1.305
Budget evaluation	0.728	1.374

The findings of this analysis show that the VIF values of all the variables in the research that is, Budget planning, control, coordination and evaluation are < 10 pointing out on the absence of multicollinearity in the data set.

4.5.2 Correlation

From in-depth computations and extension of knowledge, the assessment undertook keen scrutiny of directional movement and strength. As a result, correlation analysis was expedited to ascertain the direction and strength of relationship of the research variables. The range of values of correlation ranges between negative 1 and positive 1, whereas the value of +1 postulates a perfect positive correlation and a value of -1 perfect negative correlation. The range of values from 0.00 – 0.10 means correlation is negligible, 0.40–0.69 moderate, 0.10–0.39 weak, 0.70–0.89 strong and 0.90–1.00 very strong correlation. The correlation results of the study are tabulated below.

Table 4.13: Correlation Results

		Financial Performance	Budget Planning	Budget Controlling	Budget Coordinating	Budget Evaluation
Financial Performance	Pearson Correlation	1	.520**	.507**	.519**	.533**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N	73	73	73	73	73
Budget Planning	Pearson Correlation	.520**	1	.463**	.347**	.320**
	Sig. (2-tailed)	0.000		0.000	0.003	0.006
	N	73	73	73	73	73
Budget Controlling	Pearson Correlation	.507**	.463**	1	.382**	.457**
	Sig. (2-tailed)	0.000	0.000		0.001	0.000
	N	73	73	73	73	73
Budget Coordinating	Pearson Correlation	.519**	.347**	.382**	1	.397**
	Sig. (2-tailed)	0.000	0.003	0.001		0.001
	N	73	73	73	73	73
Budget Evaluation	Pearson Correlation	.533**	.320**	.457**	.397**	1
	Sig. (2-tailed)	0.000	0.006	0.000	0.001	
	N	73	73	73	73	73

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

It can be observed that the correlation between budget planning and financial performance was 0.52 at a significance level of 0.000<0.05. These results posit that the correlation amid the two variables is moderate. In addition, budget controlling and financial performance are moderately and significantly correlated (0.507, 0.000<0.05). The correlation between budget coordinating and financial performance is moderate and statistically significant (0.519, 0.000<0.05). Finally, budget evaluation and the financial performance of Kilifi County government are moderately and significantly related at 0.05 level of significance (0.533, 0.000<0.05).

4.5.3 Regression Analysis

The extensive and intensive examination of interrelation was expounded in this research. Subsequently, a regression analysis was expedited to determine the linear relationships between the independent variables that is controlling, budget planning, coordinating and evaluation on the financial performance. The null hypothesis was also tested at this point. The model of the study was,

$$Y = \alpha_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby:

Y= Financial performance

α_0 = Constant variable

X_1 = Budget Planning

X_2 = Coordination

X_3 = Control

X_4 = Evaluation

ε = error-term

Upon estimation, the model summary results are tabulated below.

Table 4.14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707a	0.5	0.47	0.35708

a Predictors: (Constant), Budget evaluation, planning, coordinating, controlling

From the results presented, it can be observed that budget planning, controlling, coordinating and evaluation jointly explain 70.7% of the total variations in financial performance of Kilifi County government. This is indicated by the value of R in the model (0.707). This therefore means that the variables chosen in the study are significant in explaining the variations in financial performance and hence are relevant in the study.

Table 4.15: ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.663	4	2.166	16.986	.000b
	Residual	8.67	68	0.128		
	Total	17.333	72			

a Dependent Variable: Financial performance
b Predictors: (Constant), Budget evaluation, Budget planning, Budget coordinating, Budget controlling

The results shown indicate that the estimated model is substantially objective and significant at 0.05 significance level (0.000<0.05). In addition, it expressed that budget planning, controlling, coordinating and evaluation are all important in explaining the total variation in financial performance. In consequence, the study did extensive examination of County Government of Kilifi. These findings are supported by a value of F in the model (16.986) that is greater than the critical F value (2.041) in the F tables.

Table 4.16: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.85	0.378		2.245	0.028
	Budget planning	0.241	0.088	0.271	2.725	0.008
	Budget controlling	0.148	0.098	0.16	1.513	0.035
	Budget coordinating	0.21	0.08	0.257	2.624	0.011
	Budget evaluation	0.228	0.084	0.271	2.697	0.009

a Dependent Variable: Financial performance

The results shown are the regression coefficients estimates of the model. The model can therefore be estimated using the coefficient as follows:

$Y=0.85+.271X_1+.16X_2+.257X_3+ .271X_4$

Whereby:

Y= Financial performance

X_1=Budget Planning

X_2= Budget coordination

X_3= Budget control

X_4= Budget evaluation

From the estimated model, the constant is positive. This implies that in the absence of the variables listed in the study, other variables could affect the financial performance of Kilifi County government other than the stated. Furthermore, the coefficient of budget planning is statistically significant and positive ($\beta=0.271$, $P=0.008<0.05$). Empirically, this means that a unitary improvement in budget planning yields a significant 0.271 units increment in the financial performance of the county government of Kilifi. Budget planning outlines the roadmap in which the county government will utilize the available resources to achieve the set objectives. It enables the government come up with expenditure plans that lead to the accomplishment of the set goals and objectives. Further, with budget planning the government is able to identify the necessary resources to meet the objectives as well as enabling the government to deal with any uncertainties that may be experienced in the future. Budget planning enables adequate planning and good utilization of the available resources with the principal mandate of providing services to the citizens (Wakulele et al., 2016).

In addition, budget controlling had a statistically significant and positive coefficient ($\beta=0.16$, $P=0.035<0.05$). This implies that a unit improving in the quality of budget control will result in a significant 0.16 units increase in financial performance of Kilifi County government. Budget control ensures the success of the budget right from the plan to the achievement of the results. It is a system where the organization controls its costs through the preparation of budget to avoid any financial variations. Through the budgets, sources of any variations that may occur during the implementation of the various projects can easily be ascertained. Budget control aims at planning, coordinating and also control over the planned and the actual budget. It is paramount to elucidate that the government is capable of surpassing its objectives and jurisdictions because a budget is a planning tool for expenditure (Mahroqi et al., 2021).

Budget coordinating on the other side registered a statistically significant and positive coefficient ($\beta=0.257$, $P=0.011<0.05$). It elucidates that a unit improvement in the quality of budget coordination results in a significant 0.257 units increase in financial performance of Kilifi County government. Budget coordination is instrumental in ensuring the smooth operations between the different departments in a government. The process of budget coordination entails the organization and the acquisition of the necessary personnel to carry out the planned tasks. Good coordination between the various departments and also within the county government management will make the service delivery smooth. The project delivery will also be done in a timely manner. The costs involved in carrying out the project will be minimized. The inability or lack of budget preparation leads to inability to account for the expenditure of public resources and hence a high likelihood of wastage of public funds (Foster, 2017)

Finally budget evaluation had a positive and statistically significant coefficient ($\beta=0.271$, $P=0.009<0.05$). As a consequence, this exemplifies that a unit improvement in budget evaluation will yield a significant 0.271 units increase in the county government of Kilifi financial performance. Budget evaluation involves the process of analyzing the budget expenditure. It involves a comparison of what has actually been spent against the planned expenditure in the budget. It is possible to get an approximation of the resources that are necessary to conduct projects and activities using a budget. It gives an approximated expenditure and also enables the government to analyze the available resources and the kind of projects to be undertaken on priority basis so that the county government lives within its means. The increasing resource allocation by the national government and timely remittance to county government needs a clear framework. Subsequently, it is a bold demonstration that the allocation is affecting positively on the lives of the county residents. Evaluation therefore is intended to monitor the use of the public resources in accordance with the county development integrated plan (Hammond, 2006).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is a summary of findings to justify the evidence presented. The extensive conclusion is articulated for in-depth support of the examination, subsequently and grounded on outcome, the recommendation on the effect of capital budgeting processes on the financial performance of Kilifi County government are unveiled.

5.2 Summary of the findings.

This part summarizes the findings of the study. The subsections give chief knowledge on the outcome and its insight meaning. Concurrently, it presents the issues that need immense attention and priority. It is the pointer of futuristic demands and areas of enormous scrutiny to rectify any variance.

5.2.1 Budget Planning

The aim of the research was to determine the effect of budget planning on financial performance of the county government of Kilifi. The descriptive outcome of this examination posits that budget planning is a significant variable in explaining the variations of financial performance. Furthermore, the results elucidate that the correlation between budget planning and financial performance is moderately strong and statistically significant.

In addition, the regression results posit that the coefficient of budget planning is positive and statistically significant meaning that an improvement in budget planning yields an increase in the county government of Kilifi financial performance. Budget planning enables the government to recognize the deficit as well as the priorities that should be considered during service delivery (Orna, Obwogi & Nasieku, 2019). It also enables good utilization of funds because the amounts allocated to each project can be scrutinized before the actual expenditure is approved and the payments made

5.2.2 Budget Control

The second principal mandate of the assessment was to determine the influence of budget control on financial performance of the county government of Kilifi. The descriptive results of the study argue that budget control is a significant variable in explaining the variations of financial performance hence concurring with Kinyanjui and Kinuthia (2021). Furthermore, the results indicate that the correlation between budget control and financial performance is moderately strong and statistically significant.

The regression results delineate that the coefficient of budget control is positive and statistically significant meaning that an improvement in the quality of budget control yields an increase in the Kilifi County government financial performance. Budget control promotes coordination and communication among the actors (Afonso, Fatima & Andex, 2017). In addition, it improves the allocation of scarce resources as well as enabling remedial action in case of any budget variance. Furthermore, it provides the basis for appraisal as well as the specific areas of responsibilities of the various actors.

5.2.3 Budget Coordination

The third aim was to determine the effect of budget coordination on financial performance of the county government of Kilifi. The descriptive results of the study point out that budget coordination is a significant variable in explaining the variations of financial performance. Furthermore, the results indicate that the correlation between budget coordination and financial performance is moderately strong and statistically significant. The regression results posit that the coefficient of budget coordination is positive and statistically significant meaning that an improvement in the quality of budget coordination yields an increase in the Kilifi County government financial performance.

Good coordination between the various departments and also within the county government management will make the service delivery smooth (Kamau, Rotich & Anyango, 2017). The project delivery is also done in a timely manner. The costs involved in carrying out the project will be minimized. It is worth stating that poor fund management is a recipe for countless predicaments. This is a replication of the absence of budget for balance checks, preparation and regulation, hence giving way for poor performance and consequently the collapse of the business.

5.2.4 Budget Evaluation

The third driving force of this examination was to determine the effect of budget evaluation on financial performance of the county government of Kilifi. The descriptive results of the study indicate that budget evaluation is a significant variable in explaining the variations of financial performance. Furthermore, the results indicate that the correlation between budget evaluation and financial performance is moderately strong and statistically significant. The regression results indicate that the coefficient of budget evaluation is positive and statistically significant meaning that an improvement in the quality budget evaluation yields an increase in financial performance of the county government of Kilifi.

Simply put, budget is pivotal for controlling and regulating the expenditure and income. Therefore, it regulates the firm to operate and undertake mandate within their means. Consequently, unexpected obstructions are conquered successfully and opportunities are maximized. The increasing resource allocation by the national government to the county government needs a clear demonstration that the allocation is affecting positively on the lives of the county residents (Orna, Obwogi & Nasieku, 2019). Evaluation therefore is intended to monitor the use of the public resources in accordance with the county development integrated plan.

5.3 Conclusion

The conclusions of the study are drawn from the study findings. The study concludes that budget planning is an essential tool that enhances the financial performance of the Kilifi County government. Budget planning outlines the roadmap in which the county government will utilize the limited resources to maximize service delivery (Gitman, 2017). Further, with budget planning the government is able to identify the necessary resources to meet the objectives as well as enabling the government to deal with any uncertainties that may be experienced in the future.

A keen scrutiny of county government of Kilifi expressed that budget coordination is a significant factor in explaining the variations in financial performance. Budget coordination and financial performance have a positive and significant relationship. Budget coordination is significant because it involves the coordination of the various budget plans across the departments within the county government to ensure that the implementations of the various county projects are within the budgeted limits. With proper budget coordination, project delivery will also be done in a timely manner, the costs involved in carrying out the project will be minimized (Foster, 2017). Poor management of funds, including absence of budget for preparation and control, frequently leads to poor financial results and subsequent firm failure.

Budget control on the other hand is essential in explaining the changes in financial performance within Kilifi County government. Budget control ensures that only projects that were planned are the ones that are being implemented. It also entails the process of ensuring that spending is according to the budgeted limits. Budget control aims at planning, coordinating and control over the planned and the actual budget (Ahmad, 2011). The government achieves its goals through its activities, as budget control is one of those financial and administrative activities.

Finally, the study concludes that budget evaluation is essential in explaining the financial performance of the county government of Kilifi. Budget evaluation involves the assessment of the planned budgets against the actual budget. Financial performance is achieved at a point whereby the project is completed within the planned budget limits (Samira, 2018). Budget evaluation therefore enables the county to assess its financial performance based on the various county projects that are under its implementation.

5.4 Recommendation

This rigorous study elucidates key success and budget related pointers. The recommendations of this study are grounded on the conclusions presented in the study. The study recommends that the county government should enhance its budget planning process to capture the priority projects as well as utilizing the limited county financial resources. With a clear budget plan, the optimal expenditures on the various projects to be undertaken will be ascertained. This will enhance the financial performance of the county.

Furthermore, the study recommends that proper budget coordination should also be carried out between the various county departments. This will avoid duplication of projects and hence extra costs when planning projects to be implemented. It will also ensure that the priority projects are implemented, improving the quality-of-service delivery and hence financial performance within the county government of Kilifi

The research recommends that the quality of budget control to be undertaken should be taken into consideration. Budget control is an essential tool in enhancing financial performance. Therefore, the county government should invest in quality budget control measures to mitigate against unplanned spending on the projects that are being implemented. This will upgrade the financial performance of the county government.

Lastly, the study recommends that upon completion of every project, the county government should invest in the evaluation of the actual budget against the planned budget. This will be instrumental in measuring the efficiency of the county government in terms of budget expenditures. It will also inform on the efficiency in terms of the actual plans against the budget implementation. This will ultimately encourage the financial performance of the county government.

5.5 Limitations of the Study

The study was successfully expedited however it faced some setbacks. The examination was limited to the county government of Kilifi. The study was further limited to a period of between 2013-2021 because the county governments came into effect in the year 2013.

In addition, the study was limited to the variables budget planning, control, coordination and evaluation. However, other factors such as automation of revenue collection may affect the financial performance of Kilifi County government.

5.6 Suggestion Further Research

The study recommends that further investigation to be spearheaded on the effect of budgetary allocation on service delivery of the county governments in Kenya.

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APPENDICES

Appendix I: Questionnaire for the Staff

The tool is meant for gathering information to evaluate the effect of budgeting processes on financial performance of Kilifi County government. The information to be collected will solely be used for academic purposes.

INSTRUCTIONS TO RESPONDENTS

Kind tick (√) appropriately.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

   Male [ ]   Female [ ]

2. Age

   Less than 20 years [ ]   Above 20 years [ ]

3. Length of service in the county

   Less than 3 years [ ]   3-6years [ ]

   6-9 years [ ]   Over 10 years [ ]

4. Department

Section B: Budget Planning

5. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent to which the following aspects of budget planning in Kilifi County government. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a	The public are involved in the budget making process					
b	The county government emphasizes on priority projects					
c	The views of the public are taken seriously					
d	The government allocates enough funds towards development					
e	Public participation in the budget making process is encouraged					

Section C: Controlling

6. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent to which the following aspects of budget controlling in Kilifi County government. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a	The budget is usually implemented according to the plan					
b	The suggestions of the public are given priority					
c	All the suggestions of the public are implemented					
d	The interests of the executive are					

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	given priority					
e	Funds allocated for each particular project are disbursed on time					

Section D: Coordinating

7. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent to which the following aspects of budget coordinating in Kilifi County government. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a	During implementation, the government follows keenly on the progress of projects					
b	The government employees allocate themselves the project work					
c	Projects are implemented according to the set quality standards					
d	There are clear roles and responsibilities among the government employee regarding project implementation					
e	The public is involved in the management of the projects					

Section E: Budget evaluation

8. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent to which the following aspects of budget evaluating in Kilifi County government. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a	The county government is keen on quality of projects before payments to contractors are made					
b	The government do not pay for any poorly done project					
c	The payments of the projects are as per the budget limits					
d	The public is aware of the extend and quality of any project.					
e	The public is involved when the project is being handed over					

Section F: Financial Performance

9. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent to each of agreement the following aspects of Financial performance of Kilifi County government. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a	The county has been meeting its revenue collection targets					
b	More than 50% of the total revenue is allocated to development					

#	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
c	The county has been adequately utilizing its revenue					
d	There has been prompt payment of contractors					
e	There has been quality service delivery to the citizens as per their requirements during public participation					

THANK YOU FOR PARTICIPATING IN THE STUDY.