

**EFFECTS OF FINANCIAL MANAGEMENT PRACTICES ON
PERFORMANCE OF KENYA MEDICAL TRAINING COLLEGE**

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**RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
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DECLARATION

This research project is my original work and has not been presented to any university for any award or anywhere else for academic purposes.

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This project has been submitted for examination purposes with my approval as University Supervisor.

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DEDICATION

To my husband John Mark Ouko; for his care and support.

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ABSTRACT

Financial management in public organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the citizens. Managing the movement of funds in relation to the budget is essential for a public academic institutions performance. But experience reveals that the financial management processes of public academic institutions are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of development activities on which such funds could be spent. Despite KMTC being ISO 9001:2000 certified, its performance in terms of service delivery continue being poor as depicted by the high level of employee turnover, delays in service delivery, low student retention rate and low customer satisfaction index. The study sought to establish the effect of financial management practices on performance of KMTC. This study was conducted through the use of a descriptive design. The target population of this study was the 201 finance staff of KMTC from which 60 were selected using stratified random sampling. This study made use questionnaires for primary data collection. Data collected was purely quantitative and it was analyzed by descriptive analysis. In addition, the researcher conducted a multiple regression analysis so as to determine the effects of each of the independent variables on performance of KMTC. The study found that the annual budget process affects the performance of Kenya Medical Training College mainly through cost-minimization emphasis, budget inflexibility, resource allocation and budget accuracy. Financial reporting and tracking through record keeping, having internal accounting experts, data management and financial information communication affect the performance of KMTC to a very great extent. The study concludes that that financial reporting and tracking had the greatest effect on the performance of KMTC, followed by annual budget process while level of internal controls had the least effect on performance. The study recommends that for the institution to reap the maximum benefit from their budgets, the managers should be evaluated in part on the accuracy of their budgets. KMTC should also improve their financial reporting and tracking by automating their record keeping.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The rapidly changing nature of today's external environment continuously creates a need for business strategy, process improvements and organizational transformation to ensure survival in today's highly competitive market. Today, businesses are under constant pressure to develop, implement and rapidly revise their financial management strategies (Shah, 2009). To do this, businesses need to develop and implement financial strategies to manage risk and improve financial performance and capabilities as depicted in the resource based theory.

The financial management processes of not for-profit organizations such as instructions of learning are generally dominated by conditions of resource scarcity. Such organizations have limited opportunities for generating additional income, but are faced with an ever increasing agenda of programme and activities on which such funds could be spent. This is depicted in the complexity theory which suggests that simple deterministic functions can give rise to highly complex and often unpredictable behavior. Meanwhile the resource allocation activities and management of these organizations have received relatively little attention in economic literature. In fact, accountants and financial managers as individuals and as occupational groups are largely invisible in the growing body of financial management literature (Lightbody, 2000). Financial management is therefore relegated to a subordinate role in public academic institutions decision making (Booth, 1993).

Maintenance of sound internal controls for public organization is a fundamental aspect towards attainment of internal financial sustainability of the available funds. Failure to follow internal control procedures can have negative impact on any organization's strategic financial management. Financial management is one of the most important practices that an organization can be skilled in. With the challenges of financial sustainability facing today's public organizations, an understanding of the best financial management practices can help to ensure that these organizations are financially stable as postulated in the theory of budgeting (Dorothy, 2009).

There are certain financial management practices that are essential for a healthy functioning of any public organizations. These include budgeting process and sound ongoing internal controls. Budgeting therefore becomes a critical activity for these organizations (Anthony and Young, 1994). These financial management practices are critical for any organization.

In order to meet its goal of offering quality and relevant academic programmes and be a role model to others, KMTC decided to embark on a programme of adopting ISO 9001:2000 standards which apply to quality management systems. The journey towards ISO 9001:2000 certification began in 2006 as part of the customer focused reforms being implemented at the University. This was followed by preparation of the ISO 9001:2000 Quality Management System (QMS). This culminated in the University getting its certification in August of 2008 (KMTC Website - [http://www. KMTC.ac.ke](http://www.KMTC.ac.ke) accessed on 7th September 2013). The process of ISO certification represents an international consensus on good management practices with the aim of ensuring quality service delivery to ones clients.

1.1.1 Financial Management Practices

Financial management refers to the process of managing financial resources, including management decisions concerning accounting and financial reporting, forecasting, and budgeting, as well as capital budgeting decisions, which include decisions whether to lease or buy, and whether to issue debt or equity (Lightbody, 2000). Financial management framework comprises the processes, systems, internal controls and practices relating to the way the department manages its revenues, expenses, assets, liabilities and contingencies. It also includes its systems for managing risk and monitoring its financial and operational performance, including budget performance and reporting on these functions, both internally and externally.

Gitman (2007) defines financial management as the area of business management, devoted to a judicious use of capital and a careful selection of sources of capital, in order to enable an organisation to move in the direction of reaching its goals. This definition points to certain essential aspects of financial management namely prudent or rational use of capital resource and achieving the goal of the firm. According to Oduware (2011), financial management entails planning for the future of a business enterprise to ensure a positive cash flow. Financial management involves planning, organizing, directing and controlling the financial activities such as the procurement and the utilization of funds of the enterprise. From an organizational point of view, the process of financial management is associated with financial planning and financial control. Financial planning seeks to quantify various financial resources available and plan the size and timing of expenditures. This study will specifically focus on annual budget process, internal control, financial reporting and tracking and how they affect organizational performance.

1.1.2 Organizational Performance

Organizational performance can be judged by many different constituencies, resulting in many different interpretations of successful performance. Each of these perspectives of organizational performance can be argued to be unique. Further, each organization has a unique set of circumstances, making performance measurement inherently situational (Cameron & Whetton, 2001). Performance outcomes result from success or market position achieved (Gitman, 2007). Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. Organizational performance means attainment of ultimate objectives of the organization as set out in the strategic plan. Performance can be determined in various ways. While there is a range of specific models, major determinants of firm-level profitability include: characteristic of the industry in which the firm competes; the firm's position relative to its competitors; and the quality or quantity of the firm's resources.

Dorothy (2009) indicated that numerous measures of corporate performance could be used as dependent variables. However, more important than a specific measure chosen is the use of multiple measures, because different criteria of performance are likely to be differentially affected by the various independent variables. Efficiency relates to how well resources are used to achieve a goal while effectiveness focuses on the appropriateness of the goals chosen. Since performance is a reflection of an organization's goals and strategic objectives, performance measures have to be tailored to the conditions and needs of the firm. Conceptually therefore, organizational performance has been viewed as the comparison of the value created by a firm, measured through the three general elements (efficiency, effectiveness & relevance) of organizational

performance, with the value the owners expect to receive from the firm (Chen & Dodd, 2001). Performance in this study will be measured by employee turnover rate, enrolment and retention of students, timeliness of client service, customer satisfaction index and success as compared to industry averages.

1.2 Research Problem

Financial management in public organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the citizens (Waddell, 2000). Financial management practices requirements can impose a significant burden on public academic institutions. Managing the movement of funds in relation to the budget is essential for a public academic institutions performance. But experience reveals that the financial management processes of public academic institutions are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of development activities on which such funds could be spent. Oladipo (2001) posits that while the financial management system in the public academic institutions in Africa is improving, there are still cases of weak financial systems and procedures.

Unlike their for profit counterparts whose accounting system reflects the results of economic activities, expressing the efficiency with which the objective has been achieved, public academic institutions are mostly concerned with raising and expanding resources according to specific budget plans (Blazek, 1996). This state of affair has boxed these institutions into a dependency syndrome which is threatening the sustainability of their programmes and their survival as institutions.

Despite KMTC being ISO 9001:2000 certified, its performance in terms of service delivery continue being poor as depicted by the high level of employee turnover, delays in service delivery, low student retention rate and low customer satisfaction index. There has been an issue of delay of the supply of services at due to mismanagement of funds that eventually causes poor performance at KMTC. Due to the mentioned uncertainties the researcher finds the study significant since it will help find out the solutions on how to improve the financial management of the public academic institutions of higher learning in Kenya.

Locally, Namatu (1997) did a study on the selected financial management practices by small enterprises in Kenya: the case of K.I.E Kenya industries estates wanes, Wanyungu (2001) did a study on the financial management practices of micro and small enterprises in Kenya the case of Kibera while Mobegi (2009) conducted a survey of the extent of implementation of integrated financial management information system (IFMIS) as a tool for sustainable financial management in government. None of these local and international studies have focused on the effects of financial management practices on performance of Kenya Medical Training College.

1.3 Research Objectives

The objective of the study was:

- i. To establish the financial management practices used at Kenya Medical Training College.
- ii. To analyze the effect of financial management practices on performance of Kenya Medical Training College.

1.4 Value of the Study

This study would be of great importance to the management KMTTC and other similar institutions to know more about the business and more so, on the matters concerning the challenges that are hindering financial management in the business. This would assist the organization management to know the ways in which they can overcome the financial challenges facing their businesses to grow.

The findings of this study would be useful in higher learning institutions in Kenya. The study would provide useful information that will help the management of higher learning institutions in Kenya in addressing the financial management gaps and devise strategies to ensure the sustainability of the institutions. The study would generate greater awareness among public academic institutions on the importance of having a proper and practical strategic financial management framework as a vehicle to organizational effectiveness.

The policy makers and the relevant govern bodies would gain knowledge on how to handle financial management in regard to the regulations and making of policies. Due to making sound regulations and policies, this would result into improved confidence in investors in investing in the academic sector.

The information so obtained would be useful to research institutions and the academicians who want to advance the knowledge and literature on financial management. It would also add to literature on the subject as reference material and stimulate further research in the area. The findings would enrich existing academic literature on the model of strategic financial management in public institutions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers literature review of the main variables of the study. The sections included in this chapter include the theoretical review, financial management practices, organizational performance and effects of financial management practices on performance. In addition a summary have also been provided at the end of the chapter.

2.2 Theories that Appears in the Studies

This study is built upon certain theories that have much links with management of financial resources in organizations. The most outstanding ones that have found much application in financial management include Resource Based Theory (RBT), Complexity Theory (CT) and theory of budgeting.

2.2.1 Resource Based Theory

The currently dominant view of business strategy resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making (Kay, 2005). The resource-based view (RBV) offers critical and fundamental insights into why firms with valuable, rare, inimitable, and well organized resources may enjoy superior performance (Barney, 2002). Its current prominence is reflected not only by its dominance in the academic journals, by its inclusion in leading strategic texts which warrants the conclusion that it is widely taught to students and practitioners in

undergraduate, masters' and executive programs.

Building on the RBV, Hoopes, Madsen and Walker (2003) suggest a more expansive discussion of sustained differences among firms and develop a broad theory of competitive heterogeneity. The RBV seems to assume what it seeks to explain. This dilutes its explanatory power. For example, one might argue that the RBV defines, rather than hypothesizes, that sustained performance differences are the result of variation in resources and capabilities across firms. The difference is subtle, but it frustrates understanding the Resource Based View's possible contributions (Hoopes et al., 2003). The Resource Based View's lack of clarity regarding its core premise and its lack of any clear boundary impedes fruitful debate. Given the theory's lack of specificity, one can invoke the definition-based or hypothesis-based logic any time. Again, we argue that resources are but one potential source of competitive heterogeneity. Competitive heterogeneity can obtain for reasons other than sticky resources (or capabilities) (Hoopes et al. 2003). Competitive heterogeneity refers to enduring and systematic performance differences among close competitors.

2.2.2 Complexity Theory (CT)

Complexity theory, which is the study of nonlinear dynamic systems promises to be a useful conceptual framework that reconciles the essential unpredictability of industries with the emergence of distinctive patterns. Despite the fact that the theory was originally developed in the context of physical and biological sciences, today it has found applications in social, ecological and economic systems which also tend to be

characterized by nonlinear relationships and complex interactions that evolve dynamically over time (Kiel and Elliott, 1996).

During the 1990s, there was an explosion of interest in complexity as it relates to organizations and strategy. The theory suggests that simple deterministic functions can give rise to highly complex and often unpredictable behavior. Thus, applying this theory in strategic planning presupposes flexibility on the part of an organization. Any strategic planning should be done in such a manner that it accommodates the “unexpected” ensuring that the organization is sustainable. Thus nongovernmental organizations would not only depend on others but device alternative strategies to counter the unexpected. Nongovernmental organizations need a merger of these three theories in strategic financial planning for a sustainable tomorrow.

2.2.3 Theory of Budgeting

One of the first attempts to apply the principle of marginal utility in a ‘theory of budgeting’ was made by Verne Lewis. Lewis argues that analysts should focus on increments of public expenditure, at the margin, since ‘this is the point of balance at which an additional expenditure or any purpose would yield the same return’. Lewis (1952) argues that the relative value of these increments can then be assessed in terms of their ‘relative effectiveness in achieving a common objective’. It is the task of politicians to determine this common objective and assess the relative effectiveness of alternative applications of public expenditure in achieving this goal. Budgeters can assist decision makers by presenting alternative proposals at varying levels of expenditure for each programme. In this way the trade-offs between alternative applications of additional

funding can be revealed. Lewis argues that the concept of 'relative effectiveness' with regard to a 'common objective' effectively circumvents the problem presented by the lack of a common measure of utility

The difference between normative and descriptive budget theory may be as simple as the difference between what should work and what works. It has been complicated in our field by the difference in perspectives that sometimes characterize academics and practitioners. Normative theory is usually associated with reformers, and reformers usually come from the policy or academic community. It may be built on limited observations and guided by values. Descriptive theory is typically built on multiple observations, often through surveys, and guided by observation of practitioners as they go about the job of making budget decisions (Cox and Morgan, 1994). There have been times when normative and descriptive theory converged.

2.3 Financial Management Practices

Literature on financial management of firms identifies the components of financial management practices crucial to the performance of small firms as financial planning and control, financial analysis, accounting information, management accounting (pricing and costing), capital budgeting and working capital management (Osman 2007; Azhar et al. 2010; Agyei-Mensah 2011).

2.3.1 Annual Budget Process

Budgets occupy a leading place among the special tools of management employed to direct and control the affairs of large and multifarious organizations (Burke and

Modarresi, 2000). They are used not only by governments, where budgeting had its origins, but in other public bodies, in industry and commerce and in private families. A budget is a basic tool in management. In this regard it serves as a tool for planning and controlling the use of scarce financial resources in the accomplishment of organizational goals. The budget is an invaluable aid in planning and formulating policy and in keeping check on its execution (Premchand, 2004). It stipulates which activities and programs should be actively pursued, emphasized or ignored in the period under scope, considering the limited financial resources available to the organization.

Any good budget process needs to attain three important objectives, namely, maintenance of fiscal discipline, attaining allocative efficiency, and operational or technical efficiency. Attainment of fiscal discipline has been the main goal of budget reforms. Enlargement of the legislature's role in budgeting is a new contemporary issue budgetary approaches. With legislative budgeting, new responsibilities must be accommodated both to long-standing appropriation processes, and to political relations with government. Further, legislature's new role in budgeting cannot come from government's weaknesses. The budget is an end product of a lengthy process of monitoring and controlling public finances involving the Ministry of Finance and other agencies. If the government is incapacitated in managing the institution's finances, the legislature also will be unable to do so. Historical evidence also indicates that legislatures had fiscal powers before the executive, and the result was that legislative action became an inadequate means of fiscal control. This means that the legislature's role must be defined more in terms of policy, accountability and performance, and less in terms of control and restriction, (Wagacha, 2000).

Public sector organizations are concerned with the provision of public goods to members of the society. Their budgets are therefore mainly intended for authorizing actions and providing ceilings for management actions (Allison and Kaye, 2005). This is unlike the private sector where organizations are profit motivated. Their budgeting reflects a conscious effort to plan for certain desirable results and controls to maximize the chances of achieving those results. According to Lewis (2005) the basic reason for requiring estimates from subordinate officials is that higher officials do not have enough detailed information, time or specialized skills to prepare the plans themselves. It is the decision maker at the subunit level who has the relevant facts to effectively classify activities into various categories according to their importance. It is also at this level, that projects and activities requiring attention and hence financial support can be identified and prioritized.

2.3.2 Financial Reporting and Tracking

Financial reporting is the process of preparing and distributing financial information to users of such information in various forms. Accounting typically restricts itself to information in a normal set of financial statements, that is, a balance sheet, a statement of income, and a statement of retained earnings (Anglo-Saxon countries), together with various footnotes and supporting schedules. Notes and supplementary schedules may contain additional information that is relevant to the needs of users about the items in the balance sheet and income statement, such as disclosures about the risks and uncertainties affecting the enterprise and any resources and obligations not recognized in the balance sheet (IASC, 1989). Although a published annual report may include information about plans, new products, projected capital expenditures, and the like, this is generally presented in such a way that it is definitely separated from the ordinary financial

statements. Flint (2002) states that fundamental questions in financial reporting are from which users' standpoint have the accounts to be considered and what level of understanding is to be assumed on the part of those who have to form opinions and take decisions. The most common format of formal financial reporting are financial statements. Financial statements are prepared in accordance with rigorously applied standards defined by professional accounting bodies developed according to the legal and professional framework of a specific locale. Financial statements (or financial reports) are formal records of the financial activities of a business, person, or other entity.

Financial statements provide an overview of a business or person's financial condition in both short and long term. All the relevant financial information of a business enterprise presented in a structured manner and in a form easy to understand, is called the financial statements. For public institutions like primary schools, these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements (Zadek, 2004).

Financial statements are intended to be understandable by readers who have "a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently. Financial statements may be used by users for different purposes: Owners and managers require financial statements to make important business decisions that affect its continued operations. Financial analysis is then performed on

these statements to provide management with a more detailed understanding of the figures. These statements are also used as part of management's annual report to the stockholders. Employees also need these reports in making collective bargaining agreements (CBA) with the management, in the case of labor unions or for individuals in discussing their compensation, promotion and rankings. Government entities (tax authorities) need financial statements to ascertain the propriety and accuracy of taxes and other duties declared and paid by a company. Vendors who extend credit to a business require financial statements to assess the creditworthiness of the business. Media and the general public are also interested in financial statements for a variety of reasons (Mautz and Sharaf, 1961).

2.3.3 Internal Controls

According to Cook and Wincle (1976), the Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. In this concept, by measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, is an important managerial control device, which is directly linked to the organizational structure and the general rules of the business (Cai, 1997). In today's business environment internal auditors are now providing management with a far broader range of information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities.

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible

for internal controls, the internal audit activity provides assurance to management and the audit committee that internal controls are effective and working as intended. The internal audit activity is led by the CAE. The CAE delineates the scope of activities, authority, and independence for internal auditing in a written charter that is approved by the audit committee. An effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organization and its culture, operations and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. Similarly an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance, and shareholders (Amit, 2003).

Internal control was under assessment, partially because of well-publicized corporate failures and partially as a result of moves towards professionalization of the internal audit function. Express changes in IT and decision-making practices in many organizations were motivating moves away from strict, recognized control to situations where liability for control was being pushed down the organization hierarchy and where mistake by management could not be attained through conventional, fulfillment based internal audit. The study had been able to show an observation that within the corporate governance policy, risk management has become closely aligned with internal control which proposes the amount to which risks are administered has now been captured as a form of accountability, rather than its focus – considered as an index against which a measurement of performance is being calculated. Thus, the redefinition enables to offer a new vision of risk management as part of the accountability process, which involves an

alteration which shadows the difference between responses to risk, through risk management systems and accountability of risk (Spira & Page, 2003).

2.4 Organizational Performance

Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. Organizational performance means attainment of ultimate objectives of the organization as set out in the strategic plan. In general, the concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Barney, 2001). Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist. Therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization. How that value is created is the essence of most empirical research in management.

Although, many studies have found that different companies in different countries tend to emphasize on different performance measurement, the literature suggests financial profitability and growth to be the most common measures of organizational performance. Nambisan (2002) claimed that profitability is the best indicator to identify whether an

organization is doing things right and hence profitability can be used as the primary measure of organization success. Furthermore, Earl (2000) pointed profitability as the most common measure of performance in western companies. Profit margin, return on assets, return on equity, return on sales are considered to be the common measures of financial profitability. To measure the performance of the firm, metrics such as net income, revenue growth, productivity, customer satisfaction, and employee retention have evolved, representing the outcome of performance but not the causes of them.

2.5 Effects of Financial Management Practices on Performance

Financial literature suggests optimal application and commitment towards financial management practices result in an increased company's performance. The financially well-managed companies are operationally efficient. This stands as a positive sign for investors and regulatory authorities. According to Zadek (2004), managers contracted to make decisions in the large, open corporation and received compensation for services rendered. Thus, the contractual nature of the publicly held corporation provided specialization between owners who specialized in risk bearing and managers who specialized in decision management.

Ahmed, Babar and Kashif (2010) did a study on financial management practices and their impact on organizational performance. This study measures the relationship between organizational performance and financial management practices like capital structure decision, dividend policy, investment appraisal techniques, working capital management and financial performance assessment in Pakistani corporate sector. Sample of the study consisted of forty companies operating in Pakistan, related to different sectors and listed

at Karachi Stock Exchange. The finance executives and financial analysts of the companies responded to questionnaire that identified through company profiles and references. The questionnaires were self administered to collect the data from respondents. The results show a positive and significant relationship between financial management practices and organizational performance in Pakistani corporate sector.

Earl (2000) found that capital structure was a subject of interest to US managers as well as they demonstrated that firms adopted trade off theory and managed the debt ratios. Pecking order theory was having a support of their research as well. Their results showed that firms viewed financial flexibility highly but its importance was not having anything to do within appropriate information or the growth options indicated by pecking order theory.

Gloy and LaDue (2003) studied the impacts of financial management practices on firm profitability. The paper examined the effects of business analysis and control, investment analysis and decision-making on return on asset (ROA). To measure the extent of business analysis, the authors identified the producers who benchmarked their profitability relative to other firms, producers who kept track of their financial profitability over time, and those who hold formal business meetings each year. The investment analysis and decision making practices of the managers were quantified by identifying the managers who used formal financial methods such as the payback period or discounted cash flow methods in evaluating major expansions. The producers were also asked whether or not they conducted a profitability analysis for a major capital investment. Using multiple regression, the researchers find that none of the business analysis and control variables had a statistically significant effect on profitability.

Investment analysis and decision-making had statistically significant positive effects on profitability.

Mishra, El-Osta and Johnson (1999) identified the factors that contribute to the earnings success of cash grain firms in the United States using 1994 data. Earnings success was measured using three variables namely modified net firm income (MNFI), operators' labor and management income (OLMI) and operators' management income (OMI). Using logit regression, the impacts of management practices, which included among others the use of financial record-keeping practices, were determined. The study found a significant positive relationship between keeping books and records, but only when success is measured in terms of operator's labor and management income. This suggests that managers who have record-keeping practices in place are more likely to be profitable in their business.

According to Maseko and Manyani (2011), accounting systems provide a source of information to owners and managers of small businesses operating in any industry for use in the measurement of financial performance. It is crucial therefore that the accounting practices of small businesses supply complete and relevant financial information needed to improve economic decisions made by entrepreneurs.

Peel and Bridge (1998) note that capital budgeting and planning positively impact on the performance of small businesses. SMEs engaged in detailed strategic planning are more likely to use formal capital budgeting techniques, including the net present value method, which is consistent with maximisation of firm value. Perceived profitability and success in achieving organizational objectives are positively associated with planning detail,

suggesting that strategic planning is a key component in improving performance. Planning is very important because of the constantly changing and volatile business environment.

2.6 Chapter Summary

The resource-based view (RBV) offers critical and fundamental insights into why firms with valuable, rare, inimitable, and well organized resources may enjoy superior performance. Financial literature suggests optimal application and commitment towards financial management practices result in an increased company's performance. The financially well-managed companies are operationally efficient. Most of these studies are done in other countries whose strategic approach and financial footing is different from that of Kenya. This study therefore seeks to fill this gap by focusing on the effect of financial management practices on performance of institutions of higher learning..

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the research design and methodology that was used to guide the study under the following sub-headings: the research design, target population, sample and sampling design, data collection instruments, data collection procedures and data analysis procedures.

3.2 Research Design

This study was conducted through the use of a descriptive design. A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated by Cooper and Schindler (2003). Descriptive research portrays an accurate profile of persons, events, or situations (Kothari, 2000). The choice of the descriptive survey research design was made based on the fact that in the study, the research was interested on the state of affairs already existing in the field and no variable was manipulated.

3.3 Target Population

The target population of this study was the finance staff of Kenya Medical Training College. The study focused on the section and particularly on the senior, middle and low level staff who are directly dealing with the day to day management of the finance department since they are the ones conversant with the issues impacting on budgeting in the institution. The population characteristic was as summarized in the table below.

Table 3.1: Target Population

Sections	Population (Frequency)	Percentage %
Senior finance staff	23	11.4
Middle level finance staff	41	20.4
Low level finance staff	137	68.2
Total	201	100.0

Source: Kenya Medical Training College HR, 2012

3.4 Sample Design

Statistically, in order for generalization to take place, a sample of at least 30 elements must exist (Cooper and Schindler, 2003). Moreover, larger sample minimize errors. Kothari (2000) argues that if well chosen, samples of about 10% of a population can often give good reliability. Mugenda and Mugenda (2003) argue that a sample of 30 elements can be taken as a representative sample of the population of the study. From the above population of two hundred and one, a sample of 30% from within each group in proportions that each group bore to the population as a whole was taken using stratified random sampling. Stratified random sampling technique is used when population of interest is not homogeneous and can be subdivided into groups or strata to obtain a representative sample. The selection was as follows.

Table 3.2: Sample Size

Sections	Population (Frequency)	Sample Ratio	Sample
Senior finance staff	23	0.3	7
Middle level finance staff	41	0.3	12

Low level finance staff	137	0.3	41
Total	201	0.3	60

Source: Researcher, 2013

3.5 Data Collection Methods and Procedures

This study made use questionnaires for primary data collection. The questionnaires were used because they are held to be straightforward and less time consuming for both the researcher and the participants (Owens, 2002). The Questionnaires had a number of sub-sections that were sub-divided based on the major research questions except the first sub-section (section A) that was meant to capture the background information of the participants. Other sections covered the main areas of the study. Questionnaires were appropriate for studies since they collect information that was not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. The questionnaires were administered through drop and pick-later method to the sampled population.

3.6 Validity and Reliability

To ascertain the validity of questionnaire, a pilot test was carried out. This was done by administering the questionnaire onto the pilot group. The content validity of the research instrument was evaluated through the actual administration of the pilot group. In validating the instruments, 20 staff were selected. Furthermore, to enhance the validity of the instruments, two university lecturers who are experts in the area of financial management were asked to appraise the instruments.

Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group. Reliability was measured through Cronbach's Alpha which measures the internal consistency. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Nunnally (1978) stated that reliability of a research instrument can be indicated at a minimal Alpha value of 0.6.

3.7 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data collected was purely quantitative and it was analyzed by descriptive analysis. The descriptive statistical tools used SPSS V 21 and MS Excel helped the researcher to describe the data and determine the extent used. Tables and charts were used to summarize responses for further analysis and facilitate comparison. In addition, the researcher conducted a multiple regression analysis so as to determine the effects of each of the independent variables on performance of KMTC.

The regression equation was: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 +$

Where: Y = Organizational Performance

β_0 = Constant

X_1 = Annual Budget Process

X_2 = Financial Reporting and Tracking

X_3 = Internal Controls

ϵ = Error Term

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. This chapter presents analysis of the data on the effects of financial management practices on performance of Kenya Medical Training College. The chapter also provides the major findings and results of the study.

4.2 Response Rate

The researcher targeted the 60 respondents who were senior finance staff of Kenya Medical Training College. This is because the people in finance management are the most conversant with the subject matter of the study. However, out of 60 questionnaires distributed 43 respondents completely filled in and returned the questionnaires, this represented 71.7% response rate. This is a reliable response rate for data analysis as Mugenda and Mugenda (2003) pointed that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent.

Table 4. 1: Response Rate

Response Rate	Frequency	Percentage
Filled in questionnaires	43	71.7
Un returned questionnaires	17	28.3

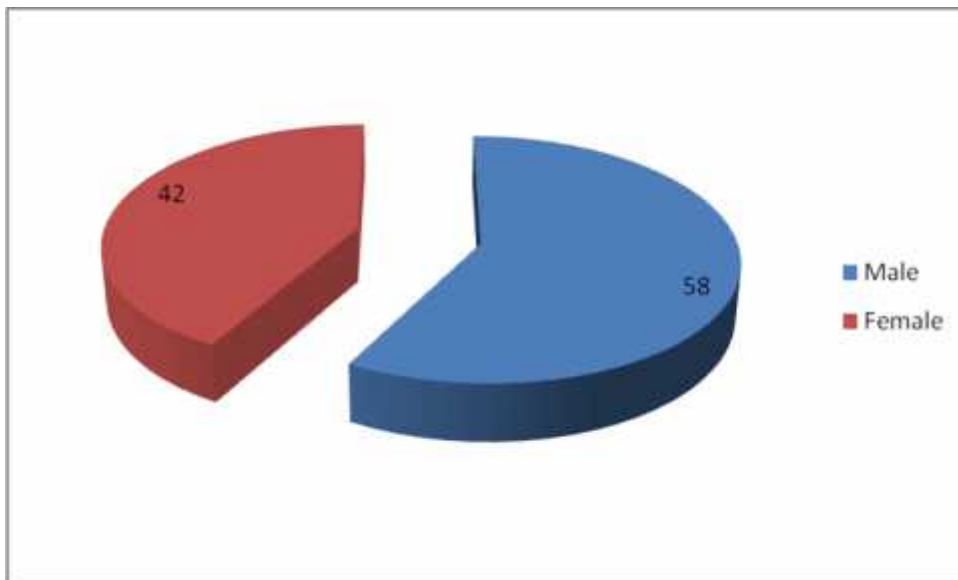
Total	60	100.0
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4.3 Background Information

The study sought to establish the general information of the respondents including their gender, age, highest level of education and work experience.

4.3.1 Gender of Respondents

Figure 4. 1: Gender of Respondents

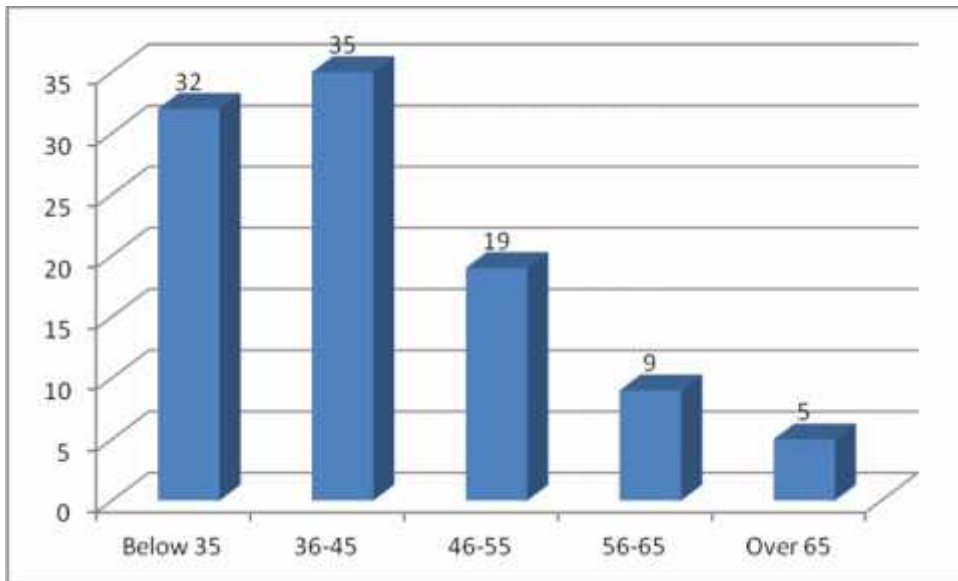


The study found that 58% of the respondents were males and 42% were females.

Findings are presented in table 4.2 above.

4.3.2 Age of Respondents

Figure 4. 2: Age of Respondents



The study found that 35% of the respondents were in the range of 36-45 years. Thirty two percent of the respondents' ages were below 35 years, 19% were between 46-55 years, 9% were between 56-65 years and 5% were above 65years. The findings are presented in figure 4.2.

4.3.3 Level Of Education

Table 4. 2: Respondents' highest level of education

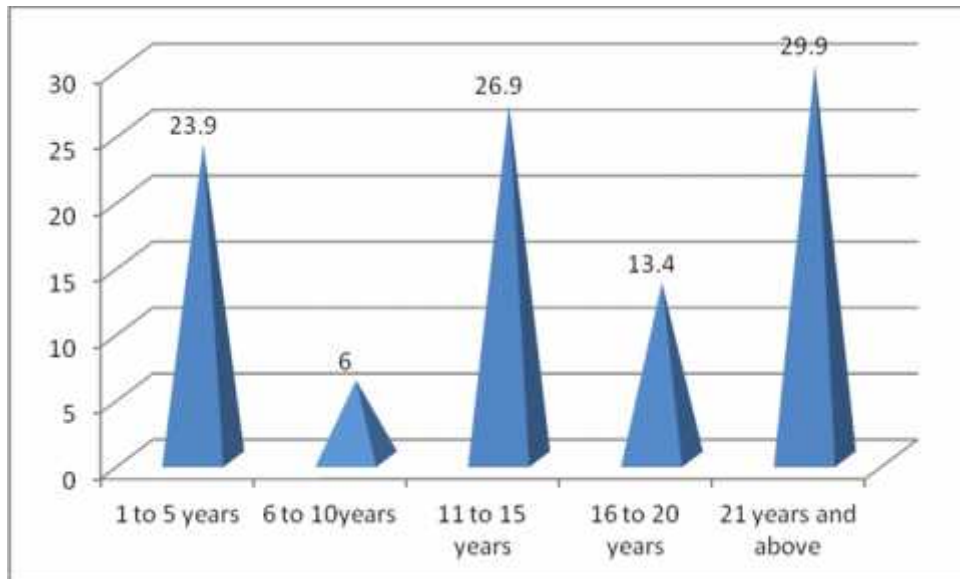
	Frequency	Percent
Postgraduate	8	17.9
Undergraduate	23	53.7

Diploma	7	16.4
Certificate	5	11.9
Total	43	100.0

The study also sought to establish the respondents' highest level of education. According to the findings, the majority of the respondents (53.7%) had an undergraduate degree, 17.9% had a postgraduate degree, 16.4% had a diploma while 11.9% of the respondents had a certificate.

4.3.4 Work Experience

Figure 4. 3: Duration of work in the Kenya Medical Training College



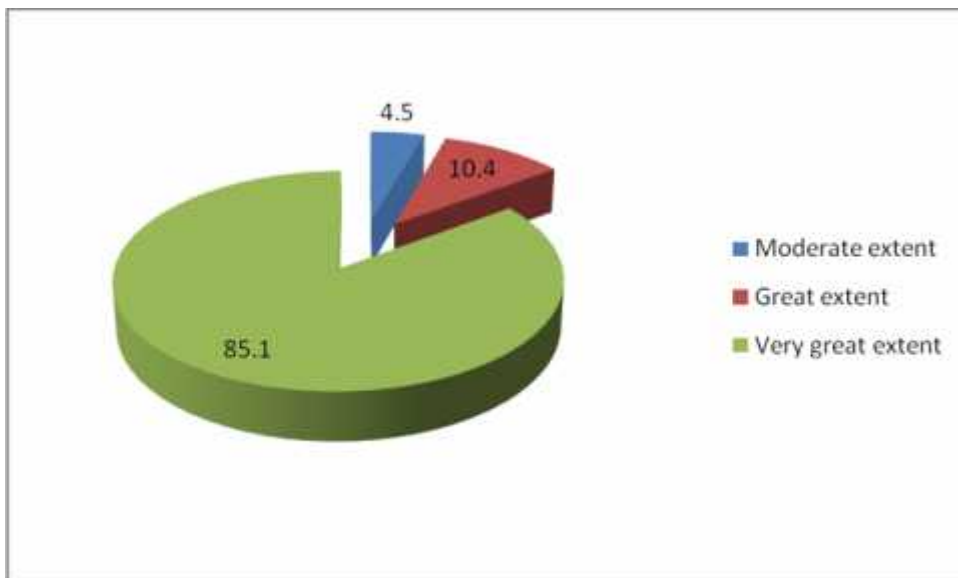
The study also sought to establish the years of service/working period at Kenya Medical Training College. On the years of service/working period at Kenya Medical Training College, the findings in table 4.4 show that 29.9% of the respondents had worked for 21 years and above, 26.9% had worked for 11 to 15 years, 23.9% had worked for 1 to 5 years, 13.4% had worked for 16 to 20 years, while 6% had worked for 6 to 10 years.

4.4 Financial Management Practices and Performance

4.4.1 Annual Budget Process

The study sought to establish the extent that annual budget process affects the performance of Kenya Medical Training College.

Figure 4. 4: Extent that annual budget process affects the performance of Kenya Medical Training College



The respondents were asked the extent to which the annual budget process affects the performance of Kenya Medical Training College. The choices given to them were assigned values as follows, very great extent =5, great extent =4, moderate extent =3, little extent =2, not at all =1

Table 4. 3: Extent that aspects of annual budget process affect the performance of Kenya Medical Training College

	Mean	STDev
Resource allocation/ formulation	4.54	0.66
Forecasting of revenues and expenditures	3.66	1.17
Setting out goals and timelines	3.91	1.01
Budget transparency	4.06	0.72
Budget Accuracy	4.52	0.50
Budget inflexibility/ financial controls	4.63	0.52
Budget constraints/ cost-minimization emphasis	4.64	0.60
Errors in calculations and formulas	3.93	0.86
Budget consistency with strategic objectives	4.49	0.86

On the extent that aspects of annual budget process affect the performance of Kenya Medical Training College, the respondents indicated that budget constraints/ cost-minimization emphasis, budget inflexibility/ financial controls, resource allocation/ formulation and budget accuracy affect the performance of Kenya Medical Training College to a very great extent as shown by a mean score of 4.64, 4.63, 4.54 and 4.52 respectively. The respondents also indicated that the aspects of annual budget process

affect the performance of Kenya Medical Training College include budget consistency with strategic objectives as shown by a mean score of 4.49, budget transparency as shown by a mean score of 4.06, errors in calculations and formulas as shown by a mean score of 3.93, setting out goals and timelines as shown by a mean score of 3.91 and forecasting of revenues and expenditures as shown by a mean score of 3.66.

Table 4. 4: Level of agreement with statements on annual budget process

	Mean	STDev
We forecast income first, and then create expense budgets within these constraints.	4.19	0.68
We forecast budget items from a “zero basis” rather than “indexing” last year’s level.	4.40	0.68
The assumptions underlying budgets are made explicit, and are challenged and tested.	3.54	1.03
Managers, are evaluated in part on the accuracy of their budgets.	3.19	0.97

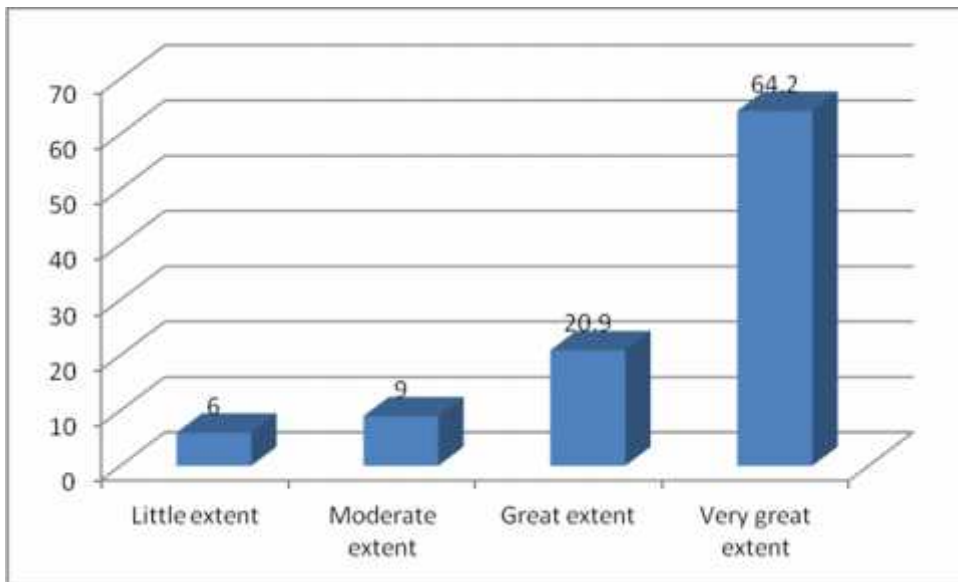
The study also required the respondent to indicate their level of agreement with statements regarding annual budget process. From the study findings, majority of the respondents agreed that Kenya Medical Training College forecast budget items from a “zero basis” rather than “indexing” last year’s level as shown by a mean score of 4.40, Kenya Medical Training College forecast income first, and then create expense budgets within these constraints as shown by a mean score of 4.19 and the assumptions

underlying budgets are made explicit, and are challenged and tested as shown by a mean score of 3.54. They were however neutral on the fact that managers, are evaluated in part on the accuracy of their budgets as shown by a mean score of 3.19.

4.4.2 Financial Reporting and Tracking

The study further sought to find out the effect of financial reporting and tracking affect the performance of Kenya Medical Training College.

Figure 4. 5: Extent that financial reporting and tracking affect the performance of Kenya Medical Training College



The study sought to establish the extent that financial reporting and tracking affect the performance of Kenya Medical Training College. From the study findings portrayed above, most of the respondents (64.2%) indicated that financial reporting and tracking affect the performance of Kenya Medical Training College to a very great extent, 20.9% said to a great extent, 9% said to a moderate extent while 6% of the respondents were of

the view that financial reporting and tracking affect the performance of Kenya Medical Training College to a little extent.

Table 4. 5: Extent that aspects of financial reporting and tracking affect the performance of Kenya Medical Training College

	Mean	Std. Deviation
Data management	4.07	0.56
Having internal accounting experts	4.14	0.64
Use only cash accounting	3.49	0.68
Record keeping	4.17	0.68
Financial information communication	3.74	0.97

The researcher also wanted to establish the extent that various aspects of financial reporting and tracking affect the performance of Kenya Medical Training College. According to the findings, majority of the respondents indicated that the aspects of financial reporting and tracking that affect the performance of Kenya Medical Training College to a great extent include record keeping as shown by a mean score of 4.17, having internal accounting experts as shown by a mean score of 4.14, data management as shown by a mean score of 4.07 and financial information communication as shown by a mean score of 3.74 while use only cash accounting had a moderate effect as shown by a mean score of 3.49.

Table 4. 6: Level of agreement with statements on financial reporting and tracking

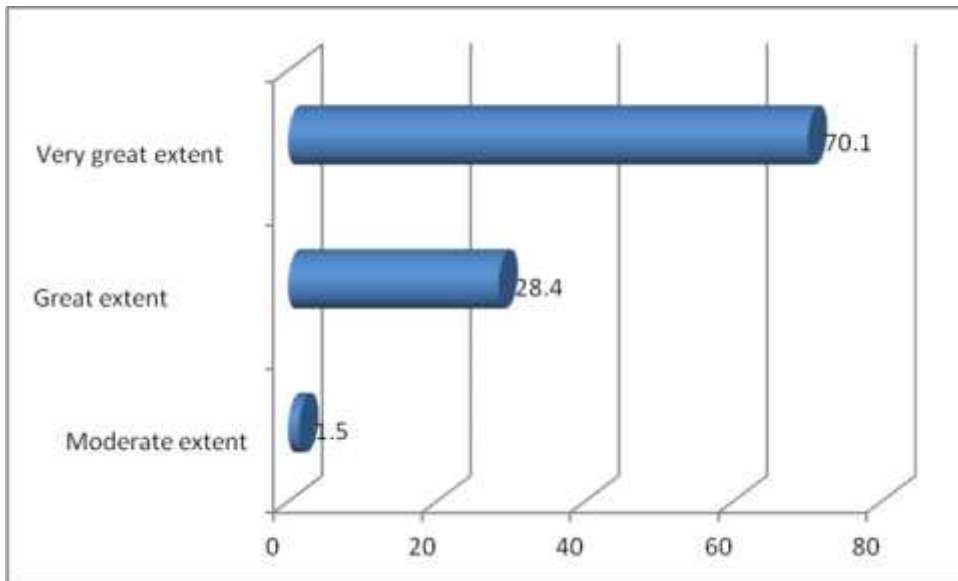
	Mean	Std. Deviation
Our budget report makes it easy to see future financial commitments and forecasts	4.12	0.60
We incorporate critical balance sheet items into our budget report	4.04	0.71
Our budget report makes it easy to see the financial contribution of each program	4.28	0.65

The respondents were in agreement that Kenya Medical Training College budget report makes it easy to see the financial contribution of each program, the budget report makes it easy to see future financial commitments and forecasts and Kenya Medical Training College incorporate critical balance sheet items into the budget report as shown by a mean score of 4.28, 4.12 and 4.04 respectively.

4.4.3 Internal Controls

The study further sought to establish the effect of internal controls on the performance of Kenya Medical Training College.

Figure 4. 6: Extent that internal controls affect the performance of Kenya Medical Training College



The study further inquired on the extent that internal controls affect the performance of Kenya Medical Training College. From the findings, 70.1% of the respondents indicated that internal controls affect the performance of Kenya Medical Training College to a very great extent, 28.4% said to a great extent while 1.5% said internal controls affect the performance of Kenya Medical Training College to a moderate extent.

Table 4. 7: Extent that aspects of internal controls affect the performance of Kenya Medical Training College

	Mean	Std. Deviation
Reviews of individual systems and processes	4.16	0.916

Provide Financial controls	4.00	0.900
Managerial controls	3.66	0.938
Operational policies controls	3.82	0.955
Control information within the organization	3.97	0.753
Accounting Information and communication	4.16	0.823
Assessment of internal control framework	4.24	0.852
Methodical examination of business processes and connected controls	3.87	0.906
Provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process	3.63	0.751
Ongoing and independent reconciliation of all balances	3.95	0.899

Table 4.7 depicts the summary of the findings on the extent that aspects of internal controls affect the performance of Kenya Medical Training College. According to the findings, respondents pointed that the aspects of internal controls affect the performance of Kenya Medical Training College to a great extent include assessment of internal control framework as shown by a mean score of 4.24, reviews of individual systems and processes as shown by a mean score of 4.16, accounting information and communication as shown by a mean score of 4.16, provide financial controls as shown by a mean score of 4.00, control information within the organization as shown by a mean score of 3.97, ongoing and independent reconciliation of all balances as shown by a mean score of 3.95, methodical examination of business processes and connected controls as shown by a mean score of 3.87, operational policies controls as shown by a mean score of 3.82, managerial controls as shown by a mean score of 3.66 and provision of independent

verification of a sufficient sample of transactions to ensure integrity of the decision making process as shown by a mean score of 3.63.

4.5 Organizational Performance

Table 4. 8: Trend of the of various aspects of performance in the KMTC for the last five years

	Mean	Std. Deviation
Employee turnover rate	4.04	0.60
Enrolment and Retention of students	4.07	0.60
Timeliness of client service	3.86	0.70
Customer satisfaction index	4.02	0.59
Success as compared to industry averages	4.09	0.79

The study also sought to determine the trend of the various aspects of performance in the KMTC for the last five years. From the findings, majority of the respondents were of the view that success as compared to industry averages , enrolment and retention of students, employee turnover rate, customer satisfaction index and timeliness of client service had improved for the last five years as shown by a mean score of 4.09, 4.07, 4.04, 4.02 and 3.86 respectively.

4.6 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8662	0.7503	0.6902	0.7325

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R^2 , also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 69.02% of the changes in the performance of Kenya Medical Training College could be attributed to the combined effect of the predictor variables.

Table 4.10: Summary of One-Way ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.223	3	3.07	5.80	0.023
	Residual	42.876	39	1.10		
	Total	52.099	42			

The probability value of 0.023 indicates that the regression relationship was highly significant in predicting how annual process, financial reporting and tracking budget and internal controls affected the performance of Kenya Medical Training College. The F calculated at 5% level of significance was 5.80 since F calculated is greater than the F critical (value = 2.8387), this shows that the overall model was significant.

Table 4. 11: Regression coefficients of the relationship between performance of Kenya Medical Training College and the three predictive variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.053	0.217		2.889	5.31E-03
	Annual budget process	0.682	0.149	0.613	5.309	1.58E-06
	Financial reporting and tracking	0.701	0.181	0.149	3.210	2.10E-03
	Internal Controls	0.599	0.196	0.234	4.255	7.19E-05

As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$) becomes:

$$Y = 1.053 + 0.682X_1 + 0.701X_2 + 0.599X_3$$

The regression equation above has established that taking all factors into account (annual budget process, financial reporting and tracking and internal Controls) constant at zero performance of Kenya Medical Training College will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the annual budget process would lead to a 0.682 increase in the scores of performance of Kenya Medical Training College and a unit increase in the scores of financial reporting and tracking would lead to a 0.701 increase in the scores of performance of Kenya Medical Training College. Further, the findings shows that a unit increases in the scores of internal controls would lead to a 0.599 increase in the scores of co performance of Kenya Medical Training College.

Overall, financial reporting and tracking had the greatest effect on the performance of Kenya Medical Training College, followed by annual budget process while level of internal controls had the least effect to the performance of Kenya Medical Training College. All the variables were significant ($p < 0.05$).

4.7 Summary and Interpretation of Findings

From the study findings it was clear that annual budget process affects the performance of Kenya Medical Training College to a very great extent. This is in agreement with earlier findings by. On the same the study deduced that budget constraints/ cost-minimization emphasis, budget inflexibility/ financial controls, resource allocation/ formulation and budget accuracy affect the performance of Kenya Medical Training College to a very great extent. It revealed that the aspects of annual budget process affect the performance of Kenya Medical Training College include budget consistency with strategic objectives, budget transparency, errors in calculations and formulas, setting out

goals and timelines and forecasting of revenues and expenditures. This is consistent with Spira & Page (2003) who found that

Further, the study found that Kenya Medical Training College forecast budget items from a “zero basis” rather than “indexing” last year’s level, Kenya Medical Training College forecast income first, and then create expense budgets within these constraints and the assumptions underlying budgets are made explicit, and are challenged and tested. This is in line with Cai (1997) who indicated that

On financial reporting and tracking, the study established that financial reporting and tracking affect the performance of Kenya Medical Training College to a very great extent. This is consistent with Herdman (2002) who stated that

On the aspects of financial reporting and tracking that affect the performance of Kenya Medical Training College to a great extent include record keeping, having internal accounting experts, data management and financial information communication

The study found that Kenya Medical Training College budget report makes it easy to see the financial contribution of each program, the budget report makes it easy to see future financial commitments and forecasts and Kenya Medical Training College incorporate critical balance sheet items into the budget report. This concur with Roe (2004) who said that

Further internal controls affect the performance of Kenya Medical Training College to a very great extent. This is consistent with Gramling and Myers (2003) who found that

The aspects of internal controls affect the performance of Kenya Medical Training College to a great extent include assessment of internal control framework, reviews of individual systems and processes, accounting information and communication, provide financial controls, control information within the organization, ongoing and independent reconciliation of all balances, methodical examination of business processes and connected controls, operational policies controls, managerial controls and provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process.

It was clear that success as compared to industry averages, enrolment and retention of students, employee turnover rate, customer satisfaction index and timeliness of client service had improved for the last five years. From the regression, it was clear that 69.02% of the changes in the performance of Kenya Medical Training College could be attributed to the combined effect of the predictor variables. The findings also show that taking all other independent variables at zero, a unit increase in the annual budget process would lead to a 0.682 increase in the scores of performance of Kenya Medical Training College and a unit increase in the scores of financial reporting and tracking would lead to a 0.701 increase in the scores of performance of Kenya Medical Training College. Further, the findings shows that a unit increases in the scores of internal controls would lead to a 0.599 increase in the scores of co performance of Kenya Medical Training College.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Managing the movement of funds in relation to the budget is essential for a public academic institutions performance. But experience reveals that the financial management processes of public academic institutions are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of development activities on which such funds could be spent. Unlike their for profit counterparts whose accounting system reflects the results of economic activities, expressing the efficiency with which the objective has been achieved, public academic institutions are mostly concerned with raising and expanding resources according to specific budget plans. Despite KMTC being ISO 9001:2000 certified, its performance in terms of service delivery continue being poor as depicted by the high level of employee turnover, delays in service delivery, low student retention rate and low customer satisfaction index. The study sought to establish the effect of financial management practices on performance of KMTC. This study was conducted through the use of a descriptive design. The target population of this study was the 201 finance staff of KMTC from which 60 were selected using stratified random sampling. This study made use questionnaires for primary data collection. Data collected was purely quantitative and it was analyzed by descriptive analysis. In addition, the researcher conducted a multiple regression analysis so as to determine the effects of each of the independent variables on performance of KMTC. The study concludes that that financial reporting and tracking had the greatest effect on the performance of KMTC, followed by annual budget process while level of internal controls had the least effect on performance. The study recommends that for the institution to reap the maximum benefit

from their budgets, the managers should be evaluated in part on the accuracy of their budgets. KMTC should also improve their financial reporting and tracking by automating their record keeping.

5.2 Conclusions

The study sought to establish the effects of financial management practices on performance of Kenya Medical Training College. Based on the study finding, the study concluded that the annual budget process affects the performance of Kenya Medical Training College mainly through cost-minimization emphasis, budget inflexibility, resource allocation and budget accuracy. Kenya Medical Training College forecast income first, and then create expense budgets within these constraints.

The study also concluded that financial reporting and tracking through record keeping, having internal accounting experts, data management and financial information communication affect the performance of Kenya Medical Training College to a very great extent. Kenya Medical Training College budget report makes it easy to see the financial contribution of each program, to see future financial commitments and forecasts.

Further the study concluded that internal controls affect the performance of Kenya Medical Training College. This is primarily through assessment of internal control framework, reviews of individual systems and processes, accounting information and communication, provide financial controls and control information within the organization.

The study infers that financial reporting and tracking had the greatest effect on the performance of Kenya Medical Training College, followed by annual budget process while level of internal controls had the least effect to the performance of Kenya Medical Training College.

5.3 Limitations of the Study

The researcher encountered various limitations that were likely to hinder access to information that the study was looking for. The main limitation of study was its inability to include more public institutions of higher learning across the Country. This was a study focusing on the Kenya Medical Training College. The study could have covered more institutions across public sector so as to provide a broader based analysis however time and resource constraints placed this limitation.

The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about their institution. The researcher handled the problem by carrying an introduction letter from the University and assured them that the information they gave would be treated confidentially and it would be used purely for academic purposes. The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Reluctance to respond to questionnaires was another limitation in collecting the required data for the study. This was due to some reservations held by the target population. This hence would have led to generalization during the analysis and presentation of the data made from those who responded to represent the views of the rest of the respondents. The

researchers countered the limitation by making prior arrangements with the respondents as well as making personal calls and visits to remind the respondents to fill in the questionnaire.

5.4 Policy Recommendations

The study recommended that in order for the Kenya Medical Training College to be effective in its operation and service delivery they should recognize contribution of annual budget process. Additionally, the study recommended that for the institution to reap the maximum benefit from their budgets, the managers should be evaluated in part on the accuracy of their budgets.

The study also recommends that Kenya Medical Training College should improve their financial reporting and tracking by automating their record keeping. The automation will also help in financial information communication data management and financial information communication. Kenya Medical Training College should also hire internal accounting experts if they are to improve their financial reporting and auditing.

On internal control, the study recommended that Kenya Medical Training College should apply internal control in its operation to ensure effective operation. Likewise the study recommended that Kenya Medical Training College to accept internal auditing as a tool for effective internal control so as to realize their objectives set with ease. The study recommended that Kenya Medical Training College to outsource for internal auditing services in order to improve on their performance and create trust among their clientele. Inclusively, the study recommended that for effective service delivery Kenya Medical

Training College should comply with the internal auditing policies to create transparency of the public resources uses and eradicate perception that the resources are misused.

5.5 Suggestions for Further study

The study suggests that further research to be done on the effects of financial management practices on performance in other public institutions such as government ministries, parastatals and government agencies in order to give both negative and positive sides that can be reliable.

The study also suggested further research to be done on effects of financial management practices on performance to the private organization in order to depict reliable information that illustrates real situation in both public and private sector organizations.

The study also recommends that further research should be done on the challenges to financial management at KMTTC and in other areas of the Kenyan public sector since the departments are bogged with myriad challenges.

The study also suggests that a study be done on the effect of financial management practices on corporate governance and general management of public institutions of higher learning and government parastatals in Kenya.

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Appendix 1: Research Questionnaire

Section A: Background Information

1. Your gender: Male [] Female []

2. Your age bracket (Tick whichever appropriate)

- a) Below 35 years []
- b) Below 45years []
- c) Below 55years []
- d) Below 65years []
- e) Over 65years []
- f) Others please specify.....

3. Which is your highest level of education?

Post Graduate []

Undergraduate []

Diploma []

Certificate []

Any other (specify).....

4. How long have you worked in this institution?

1 to 5 years []

6 to 10years []

11 to 15 years []

16 to 20 years []

21 years and above []

FINANCIAL MANAGEMENT PRACTICES ON PERFORMANCE

Annual Budget Process

1. To what extent does annual budget process affect the performance of Kenya Medical Training College?

Very great extent [5] Great extent [4]

Moderate extent [3] Little extent [2]

Not at all [1]

2. To what extent do the following affect the performance of Kenya Medical Training College?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Resource allocation/ formulation					
Forecasting of revenues and expenditures					
Setting out goals and timelines					
Budget transparency					
Budget Accuracy					
Budget inflexibility/ financial controls					
Budget constraints/ cost- minimization emphasis					

Errors in calculations and formulas					
Budget consistency with strategic objectives					

3. What is your level of agreement with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
We forecast income first, and then create expense budgets within these constraints.					
We forecast budget items from a “zero basis” rather than “indexing” last year’s level.					
The assumptions underlying budgets are made explicit, and are challenged and tested.					
Managers, are evaluated in part on the accuracy of their budgets.					

Financial Reporting and Tracking

4. To what extent does financial reporting and tracking affect the performance of Kenya Medical Training College?

Very great extent [] Great extent []

Moderate extent [] Little extent []

Not at all []

5. To what extent do the following affect the performance of Kenya Medical Training College?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Data management					
Having internal accounting experts					
Use only cash accounting					
Record keeping					
Financial information communication					

6. What is your level of agreement with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Our budget report makes it easy to see future financial commitments and forecasts.					
We incorporate critical balance sheet items into our budget report.					
Our budget report makes it easy to see the financial contribution of each					

program					
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Internal Controls

7. To what extent do internal controls affect the performance of Kenya Medical Training College?

Very great extent [] Great extent []

Moderate extent [] Little extent []

Not at all []

8. To what extent do the following affect the performance of Kenya Medical Training College?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Reviews of individual systems and processes					
Provide Financial controls					
Managerial controls					
Operational policies controls					
Control information within the organization					
Accounting Information and communication					
Assessment of internal control framework					

Methodical examination of business processes and connected controls					
Provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process					
Ongoing and independent reconciliation of all balances					

Organizational Performance

9. What is the trend of the following in your business for the last five years?

	Greatly Improved	Improved	Constant	Decreasing	Greatly decreased
Employee turnover rate					
Enrolment and Retention of students					
Timeliness of client service					
Customer satisfaction index					

Success as compared to industry averages					
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THANK YOU