

**TINFLUENCE OF FINANCIAL MANAGEMENT ON THE PERFORMANCE  
OF CONSTITUENCY DEVELOPMENT FUNDS FINANCED SCHOOL  
PROJECTS IN BURETI SUB-COUNTY, KENYA.**

**BY**

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## DECLARATION

This research project is my original work and has never been presented for the award of a degree or any other award in any other University.

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L50/67191/2013

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

Sign: .....

Date: .....

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## **DEDICATION**

I dedicate this scholarly work to my dear wife Mrs. Flossy Koech, our children: Mrs. Mercy Rop, Ms Beatrice Cheptoo, Mr. Adams Langat, Faith Cherotich, Ryan Kipyegon and granddaughter Angel Chepchumba. They all in one way or another inspired and accorded me all the love; necessary moral and material support and indispensable understanding throughout the arduous course of my study.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

**AIS:** Accounting Information System

**ARR:** Accounting Rate of Return

**BOARD OF MANAGEMENT:** Board of Management

**CDF:** Constituency Development Funds

**CSM:** Capital Structure Management

**EDI:** Electronic Data Interchange

**FAM:** Fixed Asset Management

**FAT:** Financial Agency Theory

**FRA:** Financial Reporting and Analysis

**IRR:** Internal Rate of Return

**JIT:** Just in Time

**MP:** Member of Parliament

**NACOSTI:** National Council of Science, Technology and Innovation

**NPM:** New Public Management

**NTA:** National Taxpayers Association

**PPDA:** Public Procurement and asset Disposal Act

**SMC:** School Management Committee

**SME:** Small and Medium-sized Enterprises

**SPSS:** Statistical Package for Social Sciences

**US:** United States

**WB:** World Bank

**WCM:** Working Capital Management

## **ABSTRACT**

This research aimed at investigating the relationship between Financial Management and Project Performance. It is based on schools funded by the Constituency Development Fund to represent all other projects. The study was carried out in Bureti Sub-County. This research followed the following objectives: to determine how the performance of the project relate to the management of finance, to examine the particular relationship existing between the fund accountability utilized and project performance in Bureti Sub-County. The literature of the past studies by other researchers portrayed unswerving affiliation existing between the management of finance and the performance of the project. Design of the research was descriptive one that was basically recommended by Khan, (1993). The target population was 50 Board of Management representatives from 50 schools recently funded by Constituency Development Fund, 50 contractors of the said schools and 30 Constituency Development Fund committee members. The approximate of fifty respondents were chosen using the method of sampling that is stratified. The sampled population was divided into Boards of Management, contractors and Constituency Development Fund committee members. 20 Boards of Management, 20 contractors and 10 Constituency Development Fund committee members were chosen for the study. As Mugenda and Mugenda (2003) recommend, a sampling size of approximately thirty percent of the total population, this is a representative sample. The data was collected from the sample by the questionnaire. The researcher framed the questions within the questionnaire in such a way as to capture the required information which clearly reflected the relationship between financial management and project performance. The findings were compiled and computations done where applicable. Frequency tables were drawn after analyzing the data using SPSS software version 21.0. The research found out that working capital management, accountability for funds used and financial planning had significant influence on project performance. It is recommended that the project management should ensure that there is proper financial management for their projects to perform better.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

In accordance to Brown & Hyer (2010), the project is just a temporary effort that is usually focused on the provision of solution to the problems; seize different existing opportunities as well as responding to their given mandate. All firms engage themselves in the project activities as a way of earning the firm revenue: the multinational companies, families, small business entities as well as the governmental agencies. As elaborated by Brown & Hyer, (2010) the public project is cited as the repair of the street, parking on the public avenues, street lighting as well as provision of noble services to people who don't have homes.

The arguments further goes by saying that the growth is associated by the type and management of the firm, be it a public or the private sector. The project portfolio of the companies have been scaled up hence huge sums of cash has been allocated to those projects in order to make them a success. This demonstrated statically through the rapid worldwide growth of the of institutes of the project management. By the end of the year 2002, this organization had only one hundred thousand. Approximately one decade later, the above number has even tripled to even more than three hundred thousand. This type of statistics is able to serve as an explanation of the growing interest in the proper management of the project as well as its implementation. This is because many firms spend a lot of resources on the projects. Many firms take the project as the only vehicle that can that can help them to achieve

their well stipulated goals as well as target hence making it possible to implement their legal obligation. For instance, Brown & Hyer,(2010), the projects are the main driving wheel in which all firms are able run and achieve well stipulated objectives.

In accordance with the words of Moore &Reichert, (1989), the management of finances and its practices can well be defined as the activities that are conducted by the officers in the accounting department, the CFO as well as other finance officers in the crucial areas of budgeting, SCM, control and management of assets and many others. The commonly used practices in the management of finance are AIS (Accounting Information System) the Working Capital Management (WCM), Capital Structure Management (CSM) and Financial Reporting and Analysis (FRA). All of the above practices are very important for an effective and efficient management of the organization.

The AIS shows an intense and very integrated framework circulating within an organization that enable it to make use of the physical resources and structures that includes the materials, personnel, fund, equipment and supplies to enhance the economic data transformation into the financial information that the variety of the users in the organization. The various combinations as well as the interaction that exist between the techniques and the human technology can be able to allow the organization to be able to effectively administer its knowledge (Bhatt, 2001; Thomas and Kleiner, 1995).

The current asset of the company makes up the working capital. It is the total investment of the company's total current assets or the assets that is convertible into cash in less than one financial year (Keown; Martin; Petty; and Scott, 2005). The WCM is used to refer to the decisions that relates to the working capital and financing of the short term projects (Garrison, 1999). This basically involves the management of the relationship that exists between the short term asset of the company and its liabilities. The working capital investment may involve the shortage cost as well as the carrying cost. Therefore the success of the firm requires that the tradeoff has to be found between them.

The relativity in the amount of the debt in comparison of its equity that is used to making a financing of the company in question (Boateng, 2004). The CSM in accordance to (Romney, 2009) basically means the process of guarding the organization's capital structure. The capital structure is nothing but the combination of its various funding sources. Majority of the companies finance their projects by use of both equity and debts.

AIS help in analyzing the information relating to the accounting information that is extracted from the company's statements of finance. A. Romney (2009) maintains that the most crucial advantage of the accounting that is based on the computers is that they are usually automated hence this streamlines its reporting process. Concerning the FRA, the recording as well as organization of the accounting related

information may not easily meeting its initial goal unless there is a thorough reporting to enhance proper decision making process (Gitman, 2011).

The FAM is the process of accounting that helps in the tracking of long term assets for the purpose of the financial accounting as well as tracking any theft in the organization (Garrison, 1999).

The performance rate is the process of fulfilling, accomplishing as well as execution of the tasks as measured against the prevailing standards in the market. This includes the level of accuracy, cost, speed as well as its level of completeness rich (2009).

The rate that is recommended in the measurement of the financial analysis can best be determined by the company's financial performance which are broadly categorized into: financial efficiency, liquidity, solvency, repayment capacity as well as its profitability, (Crane, 2010).

The research concerning the relationship existing between the financial performance and financial management practices have been received with the mixed results. According to Klammer (1973), the relationship existing between complicated capital budgeting methodologies and its financial performance in the United States, discovered that, despite the fact that is increasing growth rate in the complicated capital budget method, there is no big growth in affiliation between the capital budgeting method and financial performance method Moore and Reichert (1989). Over fifty firms in the United States that uses sophisticated method were



researched on. Specifically, the companies that use modern type of inventory management as well as the Internal Rate of Return (IRR) was able to report the superior financial performance, as compared with other companies that make use of methods like Payback as well as Accounting Rate of Return (ARR), (Raheman and Nasr, 2007).

The research that was conducted by Wanyugu (2001) about the practices in the management of finances in both micro and very small enterprises in kibera, Kenya the management of the practices that revolve around finances is very crucial factor in great performance of the Small Medium enterprises. Siba (2012) researched on the relationship existing between the risk in the financial management and the Kenyan commercial banks. She was able to discover that most of the managers are risk averse and do as much as possible to avoid the uncertain ventures in the business market. Nyongesa (2011) investigated the relationship existing between the performances in terms of financial management and the insurance companies in Kenyan market. The research finally revealed that there was a direct correlation existing between the performance of finances and the management of finance. The weakness of this research is that it did not establish the reasons behind this particular correlation.

In many different countries, there has been extraordinary push for the governments to decentralize many services; these includes social, financial and political. Indeed, it has actually been stressed that there should be decentralization of the county government hence the governance at the county level will fully be accountable to the people at the county level or at the grassroots level (Maina, 2005). In Accordance to Burki et al. (1991) and World Bank (2000), many Caribbean countries, East Europe as well as Eastern have been able to embrace regionalization as a key component of the agenda that enhance rapid rate of development to far better than the countries in Africa. This was fully based on the arguments that the level of decentralization determines the strength of local governance, (Rbot, 2002). This has later been seen as the building block of devolution as strategies has been established in the various discourses that have been established in Africa for more than three years. In accordance to the Baskin (2010), involvement of members of parliament in grassroots level projects among other developmental projects has steadily been growing in very many African countries as well as outside Africa. This includes Kenya, India, Tanzania, Bhutan, Parkstan and Jamaica. This was further ascertained that one of the main tools of policy for the grassroots involvement is CDF. This has later been seen as the building block of devolution as strategies has been established in the various. s discourses that has been established in Africa for more than three years

Baskin (2010) was able to note that CDFs are analogous to the venerable United States (US) congressional allocations that are generally referred to as “pork barrel”. The Operations of CDFs are said to have in many occasion some been controversial as they consistently raise the basic questions concerning the efficiency of the government service delivery, in what extent does such kind of service delivery be made very accountable, the main function of the member of parliament in the consistent selection of the best developmental priorities and ensuring that is implemented, leading the process of policy making at the grass root level.

Zyl (2010) was able to note that in Philippines, Members of Parliament (MPs) are allocated a lot of finances (US\$ 4, 270,001) each to cater for the development in their political jurisdiction. The constituency development funds are viewed by Baskin (2010) as the projects that are purely initiated by people at the political class to fulfill their manifestos. In Tanzania, CDF was fully endorsed by President Jakaya Kikwete in the year 2008 in his address to Parliament. In Uganda, CDF was made possible after a having different group of meeting between the members of parliament and the president. This was done to enable them be accorded the kitty that will give them the opportunity to rich out to the local people with the support that they want. According to Zyl (2010), there are open questions as to how large a role CDFs should play in development administration. The claims that CDFs have a negative impact on accountability and service delivery in comparison with other options for strengthening legislators and improving local projects delivery should be addressed. Zyl (2010) further stresses that there are fundamental questions entailing the role

CDFs are expected to play in development administration or in how the administration of CDFs affects the balance of power among different branches of Government. Some of these questions include: Will constituency Development fund be able to compete with the ministries in the delivery of service? Will Constituency Development Funds be able to add to the ministry's burden through the "fiscal illusions"? Or will it be able to ease the burden of administration on ministries with well-placed implementation of projects that reflect the priorities of local communities?

In Kenya, the constituency Development Funds was fully recognized in the late 2003 after being gazetted officially. It had an objective of solving any kind of imbalances existing in the region. It was also aimed at ensuring that all less privileged citizens gets access to the financial support from the Kenyan government Nyaguthii and Oyugi, (2013). CDF provides funds to constituencies through the respective members of the National Assembly. Awiti (2008) adds that the aim of the CDF is to reduce the poverty level Gikonyo (2008) observes that Kamau&Muturi Licensed under Creative Common Page 502 enhanced transparency and oversight through report cards and social audits are increasingly being employed by both the government institutions and by those in the civil society. Enhanced transparency appears to require a separation and balance of powers. It is further suggested that a CDF that is centrally controlled by the executive and is strictly accountable to the head of state may leave little room for transparency in its operations.

## **1.2 Statement of the Problem**

The sound management of finance is very important to the existence as well as well-being of very many projects as well different businesses. The research of the reasons for the failure of the business has been able to show poor or even (Berryman & Peacock, 1991). In accordance to the theory of the financial management, the main objective of the company is maximizing its wealth. Under this particular assumption, the rationality of the economy, the sound management of finances as a way that many companies adopt to accomplish its goals.

According to Kimenyi, S. M. (2005), the spirit of the CDF, was established in the year 2003. This was in the recognition that the devolution of the cash in the community was important as it was meant to strengthen the people's capacity to practice the governance to be able to improve the level of development at the local level. This will also be able to allocate resources to the prioritized projects that will be able to address different the variety of the economic needs to will eradicate poverty in the country. The claims that CDFs have a negative impact on accountability and service delivery in comparison with other options for strengthening legislators and improving local projects delivery should be addressed. Zyl (2010) further stresses that there are fundamental questions entailing the role CDFs are expected to play in development administration or in how the administration of CDFs affects the balance of power among different branches of Government. It is focused to in improvement of the economic status of the Kenyan people. Eventually, CDF if well used can be lead to eradication of poverty as well as improvement of the Kenyan economic status

as well as that of the people. The CDF as it was enclosed in the Kenyan constitution. In accordance to the National Taxpayers Association (2012), many projects tend to take long before they are completed while others are even abandoned when still in progress

A research done by NTA (2012) concerning the “Citizen’s Constituency Development Fund score card in Kibwezi constituency, Kenya.” It established that approximately Kshs 19.7 million had been looted or allocated to poorly implemented projects. That is, 31% of the total CDF funds allocated to the monitored projects in the financial year 2009/10 were alleged to be on badly implemented projects. In addition,, Kshs 2.4 million that is approximately 4% of the total CDF funds that was allocated to the main projects was also abandoned projects. While more than, 8% which is approximately Kshs 5.15 million of the funds allocated to the constituency was unable to be accounted for.

The above information was therefore led to the initiation of research to identify the relationship existing the performance of the project and the financial performance with focus on the schools in the sub-county of Bureti that were fully funded by CDF.

### **1.3 Purpose of the study**

The objective of the research is to establish the main relationship existing between the management of finance and the performance of the project concentrating on the schools that are funded by CDF in the sub-county of Bureti.

### **1.4 Objectives of the study**

The research objectives were:

1. To determine the influence of Working Capital management on Project performance in Bureti Sub-County.
2. To examine the influence of Accountability of funds utilized on project performance in Bureti Sub-County.
3. To scrutinize the stimulus of financial planning on project performance in Bureti Sub-County.

### **1.5 Research Questions**

The questions of research that were used as a guide to meeting the points of research were:

1. What relationship does Working Capital management have with Project performance in Bureti Sub-County?
2. How does the Accountability of funds utilized relate to project performance in Bureti Sub-County?
3. To what extent does financial planning relate to project performance in sub county of Bureti?

## **1.6 Hypothesis**

Working capital management, Accountability and Financial planning influences the performance of Constituency Development Funds financed school projects in Bureti Sub-County.

## **1.7 Significance of the Study**

The research was conducted majorly to help the researcher investigate the relationship between financial management and project performance. This knowledge would be of great importance to all students who are doing their master degree especially in the management of project and planning since they would relate how financial management influences project performance hence applying the same to the management of other projects. Project stakeholders at various levels will also like to utilize the information in managing their various projects. The donors for example will like to get knowledge on how the finances they contribute relate to the performance of their targeted projects. The managers who carry out the implementation, monitoring and evaluation of the projects would want to do a strict follow up on how finances are being utilized having gotten knowledge on the extent to which it influences project performance.

Also students taking the same course or related courses may want to utilize the findings as they are carrying out their theoretical study of this relationship. Other researchers who may want to carry out a study on the same field will want to get



Literature from former researches and therefore this study will be of great significance to them.

### **1.8 Limitations of the Study**

The shortcoming of the research was that the respondents may not be cooperative. This may be due to the fact that since these projects are funded by CDF, which is a public fund, they may think that giving the right information especially where funds were embezzled would lead to being victimized. This was overcome by first building a rapport with them and assuring them that the study was purely academic.

Also most of the schools might not have had records that related to the ongoing or just completed projects. This could become a limiting factor since conclusions would only be made based on the correct information collected from the field. Some schools might have had a Capital Structure which was composed of funds from CDF and other sources. In that particular case, it was difficult to identify specifically the portion funded by CDF.

### **1.9 Delimitations of the Study**

The research was conducted in Bureti Sub-County. It concentrated on CDF funded schools to draw conclusions on how financial management can influence the performance of Projects. It concentrated on three areas of financial management to draw a general conclusion on the relationship between financial management and

project performance. These areas were; Working Capital Management, Accountability and Financial Planning.

### **1.10 Basic Assumptions of the Study**

The suppositions made included: The sample collected was a true representation of the whole population; the instruments to be used were valid and reliable and would give the correct information that is required when carrying out the research, the respondents were truthful and would give the correct answers.

### **1.11 Definition of significant terms as used in the study**

The major research terms applied with their definitions were:

**Accountability:** This is answerability, blameworthiness, liability, and the expectation of account-giving.

**CDF:** This is a fund designed to enhance support in the people at the grass root level specifically in the constituency. This was majorly aimed in achievement of the equal distribution of the resources across the whole region.

**Finance:** This is the amount of money/funds that is available for carrying out various activities in the organization.

**Financial Management:** This is the proper use of the cash or the fund allocated to a specific project in order to be able to establish or accomplish the initial purpose of the project

**Performance:** This is the process of establishment of the task given as measured against the existing standards of high level of speed, accuracy and completeness.

**Procurement:** This is the process of buying goods as well as services or even tends to work externally especially by use the tenders.

**Procurement Management:** This is the process of acquiring goods as well as services emanating externally.

**Project:** the project just the temporary system of working that are majorly the different teams existing within or even across the company with the major objective of completing a specific task.

**Project Performance:** This is the accomplishment of given project objectives that are usually measured against the standards that are set, cost, quality as well as the level of completeness of such particular task.

**Working Capital:** is a financial tool which shows the level of the operating liquidity that is available in the business entity.

**Working Capital Management:** This is the proper management cash, receivables, inventories as well as payables This is done to ensure that the firm continues to operate in the ability that is very sufficient to satisfy both operational expenses and short term debts that may fall due

### **1.11 Organization of the study**

The first chapter of this particular report contained the research background, the problem statement, the study of purpose, objectives, question of research, the importance of the research, limitations of the research, the study limitations, the research assumptions well as proper definition of the important terms.

The second chapter is the Literature Review and contained the Introduction, Concept of project performance, Working Capital Management, Accountability, Procurement Management, Theoretical framework, Conceptual framework, Gaps in Literature Review and summary of the Literature review.

The third section is the methodology of research and it contains its introductory part, the design of research, population targeted, size of the sample and selection of the sample, the instruments of data collection, Pre-testing, reliability as well as the validity, the data collection procedures, data analysis methods, definition of the operation of the Variables and Ethical Considerations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This particular section contains the Theory of the performance of the project, management of the working capital, Accountability, Financial Planning, Theoretical framework, Conceptual framework, as well as Gaps review of literature and the and making summary of the literature review.

#### **2.2 Concept of Project Performance**

Project performance is measured by the attainment of preset objectives. There are indicators which tell whether the project is successful or not. These indicators are the time period taken to make a complete project, the scope of the project, the quality of the on-going or completed project and the total cost or the budget of the project. The success of the project is fully determined by the different number of projects that are delivered successfully within the stipulated time and within the given budget (“The Standish,” 2006). The time of satisfaction as well as the cost of performance is actually of an insignificant time when the project output is of a very low quality. The theory of the quality is directly related to the satisfaction of the customers which has slowly been raised in the level of significance as well as construction section is concerned (Latham, 1994, Egan, 1998, Forsythe, 2007)The satisfaction of the customers is the relationship between the repurchase of the customers and the expectations as well as their expectation after the purchase of the products. It entails the final feeling of the customers concerning the outcome that was provided by the

experience satisfying him or her as well as the dissatisfying experiences (Forsythe, 2007).

Because the firms that provide the construction services are customer based and are co-created especially during the process of construction. The theory of the quality concerning the end product as well as the major processes involved. There are two dimensions of quality, the first one being the one doing with the user satisfaction with the construction that has been finished.

This helps in analyzing the information relating to the accounting information that is provided by the financial statements. A. Romney (2009) maintains that the most crucial advantage of the accounting that is based on the computers is that they are usually automated hence this streamlines its reporting process. Concerning the FRA, the recording as well as organization of the accounting related information may not easily meet its initial goal unless there is a thorough reporting to enhance proper decision making process (Gitman, 2011).

The process of accounting that helps in the tracking of long term assets for the purpose of the financial accounting as well as tracking any theft in the organization (Garrison, 1999).

The performance rate is the process of fulfilling, accomplishing as well as execution of the tasks as measured against the prevailing standards in the market. This includes

the level of accuracy, cost, and speed as well as its level of completeness Frich (2009).

The rate that is recommended in the measurement of the financial analysis can best be determined by the company's financial performance which is broadly categorized. The performance of the project is one of the most common criteria that has been used since the year 1960 concerning the access the level of breakthrough the concerning the project that been able to make at least triple constraint (Levine, 2005; Ika, 2009), many organizations have been continuously evaluating the impacts of using strategy as well as perfect creation of the value of the shareholders (Levine, 2005; Ika, 2009).

### **2.3 Working Capital management and Project Performance**

In accordance to the (Garrison, 1999), WCM refers to series of decisions that relates to the working capital and the methodology of the short term financing. These have majorly involved the management as well as the relationship existing between the liabilities and the short term assets of the company. The main objectives of WCM is to be able ensure that the company is able to continue with its operations and hence making it to get access to sufficient cash flow that can enhance satisfaction in both upcoming expenses as well as the loans that are near to the maturity. The context of managing working capital the includes management of cash, receivables as well as payables management, and management of inventory. The management of working capital can well be defined as the ability of an organization to be able to fund short term assets as well as short term liabilities (Harris, 2005).

The working capital management needs to be paid careful attention as it aid in playing crucial role in making a determination of the financial performance of the firm, risk as well as the liquidity (Smith, 1980). Each and every business entity requires its working capital in order for it to survival. The most vital part of any business investment which is essential for continuous business operations is basically working capital. It is the only tool that the company needs to be able to maintain its level of profit, solvency as well as liquidity (Mukhopadhyay, 2004).

The significance of the management of the working capital of a business efficiently cannot actually be denied (Filbeck & Krueger, 2005). The management of Working capital clearly affects both the profitability level as well as desired level of liquidity of the firm (Raheman & Nasr, 2007). Working capital will heavily be invested by the firm i.e. (International Journal of Economics, Finance and Management Sciences 2014; 2(3): 212-219 213) more than it actually needs, then the generated profits by making an investment in the long term assets. The demerit is the company will have to incur more handling cost (Arnold, 2008). There are many of the companies' different kind of operational decisions and one of them is liquidity management Gupta (2002).



## **2.4 Accountability and Project Performance**

In the last thirty years, the continuous reform in the public sector was very vigorous. In around 1980, the newly formed management majorly focused on the autonomy of the public. They learned a lot from the privately owned entities in order to come up with a working and accountable type of management. From around 1990, they had to come up with the political coordination as well as control as they had to try many ways in order to make the New Public Management a success (Bouckaert 2011). Almost all of the NPM efforts of reformation had almost similar objectives: this was majorly to improve the effectiveness as well as efficiency in the governmental sector, enhance as well as increase the level of responsiveness of public agencies to their clients as well as their customers, and improvement of the accountability (Christensen and Lægreid 2011). The fundamental premise was that one's accountability had been put in place; managerial performance would automatically follow (Boston and Gill 2011). The newly post management practice was aimed at improvement of the performance through laying of an individual accountability hence this led to fully implementation of the post successfully tested NMP (Lægreid and Verhoest 2010), and the major evidence of whether the performance measurement would lead to better accountability became very predominant (Van Dooren et al. 2010). The relationship existing between the performance and accountability is majorly featured with high level of personal ambiguity and managerial dilemma

Van Thiel and Leeuw (2002) provides a clear focus on the unending results of measuring performance hence this was directly linked to the performance requirement. The paradox of performance was directly linked to weak correlation existing between the indicators of performance and itself. Hence there is a very direct relationship existing between the accountability and performance hence this lead to coming up of a very great and accountable government of the people (Bouckaert and Peters 2002). The existence of tension the executing effective rules and the regulations as well as accountability is a big dilemma in the improvement of the public management system. In summary, accountability and strict adherence to the rules and regulation in the governmental businesses may lead to reduced rate of performance in the public sector.

The accountable methods may also lead to both negative and positive effects. This is in accordance to Steets (2010) that makes a distinction them, In many different countries, there has been extraordinary push for the governments to decentralize many services; these includes social, financial and political. Indeed, it has actually been stressed that there should be decentralization of authority to the local units of governance that can be accessed and be accountable to the people at the grass-root level (Maina, 2005). In Accordance to Burki et al. (1991) and World Bank (2000), many Caribbean countries, East Europe as well as Eastern have been able to embrace decentralization as an important component of the developmental agenda and have been able to fare better than the countries in Africa.

This was fully based on the arguments that the level of decentralization determines the strength of local governance, (Rbot, 2002). This has later been seen as the building block of devolution as strategies has been established in the various discourses that have been established in Africa for more than three years. In accordance to the Baskin (2010), involvement of members of parliament in grassroots level projects among other developmental projects has steadily been growing in very many African countries as well as outside Africa. This includes Kenya, India, Tanzania, Bhutan, Parkstan and Jamaica. This was further ascertained that one of the main tools of policy for the grassroots involvement is the government. This has later been seen as the building block of devolution as strategies has been established in the various. s discourses that has been established in Africa for more more than three years. Hence the strict application of the accountability may lead to discouragement of the workers hence low performance.

The research in accordance with Radin, (2011) was meant to evaluate the performance of the government and the act of the results that emanated from USA rating level. She made an argument that many of firms makes the two main efforts to make an application of the measuring performance in the United States agencies aligned with the federals. She made a acclamatory that the accountability is meant to fulfill the complexity nature of the political systems of America. The fulfillment of the accountable and performing government was well adopted to ensure that there is smooth operation even in the volatile political environment.

## **2.5 Financial planning and Project Performance**

The regulations in the chapter nine concerning procurement as well as the disposal in the year 2006 was able to stipulate the following major principles as well as responsibilities

a) The direct decision making process

(b) report mailing to any departure from the any of departure terms as well as conditions of the contract to unit of procurement; (c) making forwarding of the details of the required variance to the contract thereafter preparing any necessary reports that will be required for the submission to the procurement unit, the committee of procurement, the tendering committee, the officer in charge of the procurement; (d)preparation of the technical specifications and making a submission of the same to the procurement unit.

It is not a surety that the procurement process was followed strictly is in doubt. Some of the contractors fraudulently acquired the contract. Due to the weak position of finance, some of the contractors have been forced to leave the contract while some had low technical knowhow in the terms of equipment and human resources making it very hard to effectively implement the public project. The 7<sup>th</sup> section of the procurement act gives mandate to procurement firms to be able to create different designs that are aimed at enhancement of the proper implementation of the procurement process.

The withdrawal of money was also found to be carried out only after the management team had sat down and discussed about it. Also found out was the fact that the cash was being withdrawn having been signed by three signatories and was being used for the right purpose. There was also good management of inventory as they were being kept in well-constructed stores which were well secured. Only authorized persons were being allowed to issue the materials to the authorized persons who have made formal requisition for the same. The materials were also insured against any eventualities.

This was meant to ensure that all procurement entities award their tenders in a very free and fair manner. It was found out by the study that there was accountability for the funds used for the projects. This was confirmed by the fact that there management had books in which all the transactions were being recorded, that there was no transaction that took place without being recorded and that the people who carried out the recording of the transactions were qualified. It was also found out that the access to the books of accounts was only done by authorized persons and that there was no unauthorized person who could access these books as they were being kept in safe custody. Also the information in the books of accounts was being reported to the concerned persons at regular intervals. The information given was also found out to be that which was correct and had no errors. The books of accounts were being audited by qualified team from both the management side and the government side at regular intervals

Brown and Hyer (2010) are in agreement that holding the fundamental personnel was educated about the main purpose as well as the major goals behind the report. The concerned stakeholders to make a comment concerning the implementation of the project Brown and Hyer (2010). The projects depend on the communication of the membership and the effect of their projects to their personal life.

The study further concludes that there was proper financial planning as far as the project management was concerned. This was proved by the fact that there was proper tendering for the procurement of the materials required by the authorized competent team. This was to avoid procuring poor quality materials or sourcing from unreliable suppliers. Budget was also being prepared in advance before purchasing anything and that it was being followed strictly to avoid misappropriation of funds.

.The bids received after the time that was stipulated and even the other ones that had not yet been opened shall also be put into consideration. The initiation of the procurement and disposal requirements and as well as making a forward to the procurement unit; making a report to any departure from the any of departure terms aswell as conditions of the contract to unit of procurement; making forwarding of the details of the required variance to the contract thereafter preparing any necessary reports that will be required for the submission to the procurement unit, the committee of procurement, the tendering committee, the officer in charge of the procurement; preparation of the technical specifications and making a submission of the same to the procurement unit.

This particular act says that the committee involved in the opening of the tender shall make sure that they assign all bidders the equal chance hence giving them the specific identification number. This should be done in line the best practices that are stipulated in the acts of World Bank 2010. This will be used to ascertain the following: a) whether the document has been signed dully, b) it meets the eligibility requirement as outlined in the manual, c) the document is attached with all required accompaniment, d) is considerably receptive to the document involved in the bidding process, e) they in an orderly way. The material bid is non-responsive if it does not comply with the reservation given in the terms and condition. The person involved in the bidding process is not allowed to change or correct anything in the document ones the tender box has been opened. The main objective of evaluating the tender is to be able to cost of borrower placed in each bid (WB 2010). The tender is opened and any arithmetic error corrected before the lowest bidder is chosen.

## **2.6 Theoretical Framework**

The following are the hypothetical outline that was followed in doing this research work.

### **2.6.1 Financial Agency Theory**

In many of the economic firms (Britannica, 2016), the theory of the Financial Agency is one of the means that is meant to access the work that is well done by the agent While the consistency with the agency concept as customarily advanced by attorneys and the legal scholars, the variance of the agency of the economic theory

was able to emphasize on the cost as well as benefits of the principal- agent relationship. Technology and Innovation (NACOSTI) granted the researchers the permission to go to the field and collect data that is relevant with this area of study. This is done after the proposal has been approved by the university. The data collection specifically was done by the researcher while being assisted by the assistant of research who was able to administer the given questionnaire to the specific type of respondent. The questionnaires were later collected back by the research assistant for the further analysis. The specific level of attention was taken in terms of the concept of the participation voluntarily and allowing for the free consent of the information

In our study, we have the Member of Parliament and the school heads as the agents. They make decisions on behalf of the school community which is the principal and oversees the implementation of community projects.



## 2.7 Conceptual Framework

The relationship between the independent variable, Financial Management and the dependent variable, Project performance with an intervening variable, manager's expertise is demonstrated by the diagram below:

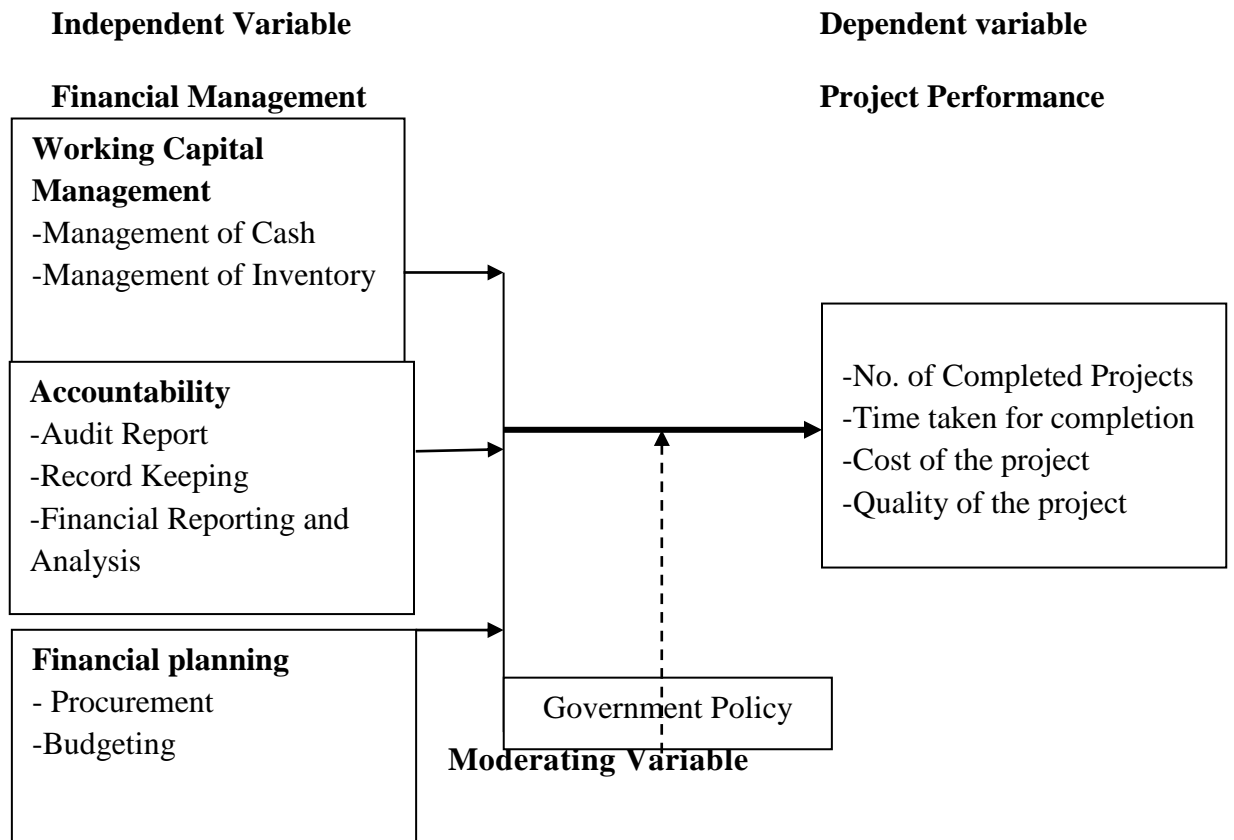


Figure 2.1: Conceptual framework of the study

## **2.8 Gaps in Literature Review**

From the Literature searched, it is clear that there is a positive relationship between financial management and project performance. Most of the research done has been on other public projects but little has been done on projects that relate to schools. This study therefore tries to study the relationship between Financial Management and Project Performance, a study of CDF funded schools in Bureti Sub-County.

## **2.9 Summary of Literature Review**

Project performance is measured in terms of time and cost (Vanhoucke, 2009). Other measures of performance in a project include its conformance with quality standards. The secret to successful project management practice is to know when to apply the appropriate techniques at the right stage in a project (Elbeik & Thomas, 2008). It is very crucial for all government agencies to make sure that the planned public projects are well implemented and operated in accordance with the available laws, rules as well as regulations of the project implementation phase.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This particular section is made up of the design of the research; the population targeted; the size of the sample and the selection of the sampling; Instruments of data collection; pre-testing of the instruments, instruments' validity; how reliable the instruments are; Procedure of data collection; Methods of data Analysis; Operational Definitions of the variables; and Ethical issues that pertain to the behavior of both the researcher and the respondents in the process of conducting the research.

#### **3.2 Research Design**

The method or design of the research that was used is descriptive. The kind of research was applied because it involves data gathering in order to be able to answer different questions that revolve around the day today status of the research. In the words of Punch, (2010), the design of the descriptive research is only suitable on the data collection basing on the available sample of population ones at a time. With the information available for the research, there is a very great relationship existing between the management of the finances and the proper performance of the project. There are several benefits that are associated with this kind of design of the research, this includes; it is easy to administer to large number of people and the questionnaires are very anonymous.

### **3.3 Target Population**

The set of the individuals that is complete forms part of the targeted population. The chosen objects as well as cases that have characteristics or feature that are common as well as well observable and that are very distinct from the other sampled population (Mugenda &Mugenda, 2003).the term population in this context is defined as the services or even the set of people and households that is under investigation or study. This is well elaborated just to make sure that the data under investigation produce similar outcomes. The focus population for this study was the Management of the CDF funded schools in Bureti Sub-County. These included CDF committee from the sub-county, the contractors and members of Board of Management of the said schools. The number of the CDF committee was 30 that of contractors were 50 for 50 schools and 50 Board of Management representatives from 50 schools in the sub-county. This came to a total of 130 targeted respondents. It was from this population that the sample size was calculated and used to answer the research questions.

### **3.4 Sample Size and Sample Selection**

The size of the sample was determined by the use of stratified random design of sampling followed by simple random sampling from each stratum. The strata included the CDF committee, the contractors and the schools 'BOM. This choice was made because it gives equal probability of the sampled population of being selected. Mugenda and Mugenda (2003) a 30% sample of the population that is targeted produces a true representation of the whole population. In summary, only

30% was able to be established in each and every sub county stratum.

**Table 3.1 Target Population and Sample**

| Stratum       | Accessible<br>Population | Sample<br>representation | %<br>representation | Sample |
|---------------|--------------------------|--------------------------|---------------------|--------|
| CDF Committee | 30                       | 9                        | 30%                 |        |
| Contractors   | 50                       | 15                       | 30%                 |        |
| BOM           | 50                       | 15                       | 30%                 |        |
| <b>Total</b>  | <b>130</b>               | <b>39</b>                | <b>30%</b>          |        |

**Source: Researcher (2016)**

### 3.5 Data Collection Instruments

This study applied self-administered Questionnaire instrument to obtain the required information. Many of the questionnaires that were used were structured in a way that could answer the research questions. They were sub divided into sub sections i.e. this includes the provision of the information from the respondent that concerns different major areas of concern.

#### 3.5.1 Pretesting of the Data Collection Instrument

The chosen instruments should be able to be tabled even before the real study is conducted just to ensure that there is maximum level of the reliability as well as validity of the information. This was specifically established by having 10 respondents fill the questionnaires and the reception of correct answers from the

researchers to enhance answering of research questions. These respondents did not take part in the main study.

### **3.5.2. Validity of the Instruments**

The validity of the information submitted is well used in making a confirmation on whether the data collected is accurate (Borg and Gall, 1989).the proper determination of the accuracy suitability as well as clarity of the information; the pre-testing had to be done. Borg and Gall (1989) attest that approximately three research pilot had to be conducted. Around ten respondents were involved in the research to be able to establish the reasons behind the formation of a huge working capital in the organization. The people who were involved in the research made use of simple questionnaires before they were able to make a full generalization on whether to make an uphold of the validity of the content or not. The personnel involved will then be able to make an argumentative narrative to interpret the prevailing circumstances in the market. To ensure that valid responses are provided, the questionnaires should be properly filled.

### **3.5.3 Reliability of Instruments**

The term reliability is used to mean the consistency in doing thing and through following the well laid down procedures or instruments (Bryman, 2008). It is how consistent one is in the research work. All researchers were meant to keep a standardized level of reliability by using simple design of the questionnaires that can easily be understood by the respective respondents. The instructions were also taken

with a lot of clarity. This basically was meant to enable all of the respondents fully understands what is required of them. The approach of interaction was meant to make the respondents to relax hence giving accurate responses in the questions asked by the trained researchers

### **3.6 Data Collection Procedures**

The research has both been utilized in both qualitative and even qualitative data that was obtained both in primary and secondary source of data collection. The National Council of Science, Technology and Innovation (NACOSTI) granted the researchers the permission to go to the field and collect data that is relevant with this area of study. This is done after the proposal has been approved by the university. The data collection specifically was done by the researcher while being assisted by the assistant of research who was able to administer the given questionnaire to the specific type of respondent. The questionnaires were later collected back by the research assistant for the further analysis. The specific level of attention was taken in terms of the concept of the participation voluntarily and allowing for the free consent of the information. The data from the secondary source was processed through the proper review of all relevant documents available this included but not limited to the number of the schools that were built and maintained by CDF, and the proper records was then kept for analysis.

### **3.7 Methods of Data Analysis**

Process of data analysis is the adjustment and modeling as well as data transformation which is meant to highlights the important information, concrete suggestions, the conclusions as well as the proper supporting methods of decision making. The methods of data analysis have various approaches that is composed of different techniques using different names from the diverse business sources ranging from social sciences to pure sciences. During the analysis stage, the descriptive type of statistics was then employed. The data that was obtained quantitatively was analyzed by using SPSS software to come up with the table of frequency and the inferential statistics that included correlation analysis and regression analysis.

. Eventually, qualitative data was analyzed on common themes based on patterns, relationships and differences. This coupled with the quantitative analysis, was incorporated into one main study report. Study findings were then presented in frequency tables.

### **3.8 Operational Definition of the Variables**

This study tried to come up with a conclusion on the relationship existing between the financial management and the performance of the project in the schools that were funded by CDF in Bureti Sub-County. It concentrated on three elements of financial management to draw a general conclusion on the management of finances. These areas are accountability, financial management and working capital management. Performance of the projects was measured using the number of completed projects, the budget of the projects, the length of time taken and the quality of the completed



or on-going projects. These variables and how they were studied are summarized in as shown below.

**Table 3.2 Operational Definition of Variables**

| Research Objective  | Variable  | Indicator  | Measurements | Study Design | Tools of Analysis           |
|---|---|--|--------------|--------------|-----------------------------|
| To evaluate the real influence of the Working Capital management on performance of projects in Bureti Sub-County. | -Management of cash<br><br>-Management of inventory       | -Strongly Agree<br>- Agree<br><br>-Undecided<br>- Disagree<br>-Strongly Disagree | Likert Scale | Quantitative | Percentages and Frequencies |
| To examine how Accountability of funds utilized influences project performance in Bureti Sub-County.              | - Record Keeping<br><br>-Financial Reporting and Analysis | -Strongly Agree<br>- Agree<br><br>-Undecided<br>- Disagree<br>-Strongly Disagree | Likert Scale | Quantitative | Percentages and Frequencies |

|  |   |   |                     |                     |                                    |
|--|---|---|---------------------|---------------------|------------------------------------|
| <p>To investigate the influence of Financial planning on project performance in Bureti Sub-County.</p> | <p>- Tendering Procedure<br/>-Budgeting</p> | <p>-Strongly Agree<br/>- Agree<br/>-Undecided<br/>- Disagree<br/>-Strongly Disagree</p> | <p>Likert Scale</p> | <p>Quantitative</p> | <p>Percentages and Frequencies</p> |
|--|---|---|---------------------|---------------------|------------------------------------|

### 3.9 Ethical Considerations

In the words of Gregory (2003), the person involved in the research process hard to be as keen as possible in order to prevent any psychological or even physical harm by asking unending questions that are not relevant or even embarrassing ones, by using harsh and threatening questions or even making the respondents more nervous hence providing inaccurate questions. Just for being objective in this research work, all of the respondents were being elaborated the main reason for conducting this research and even be informed in advance about what will be happening during the time of research hence this could reduce any risk involved in the research.. all respondents were given a perfect assurance that all information that they had been given were highly guarded from the intruders and it will be used purely for the academic purposes and not for the future use.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND PRESENTATION

#### 4.1 Introduction

This particular section contains the response rate, bio-data information and the analysis of the data based on the research objectives.

#### 4.2 Response Rate

The rate of response was 35 questionnaires out of 39. This represented 89.74% of the sampled population. This rate was considered large enough and representative of the population to be used in drawing conclusion. The table below represents this information.

**Table 4.1 Response Rate**

| Response      | Frequency | Percentage (%) |
|---------------|-----------|----------------|
| Responded     | 35        | 89.74          |
| Not Responded | 4         | 10.26          |
| <b>Total</b>  | <b>39</b> | <b>100</b>     |

#### 4.3 Bio-data

Respondents' bio-data was studied though not having direct influence on the topic of study. The knowledge of this study shows whether the respondents had capacity to answer the questions or not.

### 4.3.1 Distribution of Respondents by Gender

The total number of respondents who male were more than that of the female ones. This was represented by 20 out of 35 (57.14%) respondents falling in the males' category while the other 42.86% were females. Table 4.2 below is a summary of the same. It is significantly clear that slightly more males than females are in leadership as far as project management is concerned.

**Table 4.2 Distribution of respondents by gender**

| Gender       | Frequency | Percentage (%) |
|--------------|-----------|----------------|
| Males        | 20        | 57.14          |
| females      | 15        | 42.86          |
| <b>Total</b> | <b>35</b> | <b>100</b>     |

### 4.3.2 Distribution of Respondents by Age

Majority of the respondents belong to the age group 40-50 years, represented by 42.86%. This was followed by those in the age group 30-40 at 34.29%. There was no respondent who fell in the age group below 20 years or above 60 years. The information provided establishes that great number of the respondents were old enough to understand the questions asked and to have understanding of the projects. It is therefore believed that they gave the relevant information. This is summarized in table 4.3 below:

**Table 4.3 Distribution of Respondents by Age**

| Age          | Frequency | Percentage (%) |
|--------------|-----------|----------------|
| < 20 years   | 0         | 0              |
| 20-30 years  | 3         | 8.57           |
| 30-40 years  | 12        | 34.29          |
| 40-50 years  | 15        | 42.86          |
| 50-60 years  | 5         | 14.28          |
| >60 years    | 0         | 0              |
| <b>Total</b> | <b>35</b> | <b>100</b>     |

**4.3.3 Distribution of Respondents by Level of Experience**

The experience level was analyzed to check whether the respondents had carried out the same projects for a reasonable period of time to be able to give clear information on the same. The greatest number of the respondents had experience of 10-15 representing 37.14% followed by those who had 15-20 years at 28.57%. The least number were those who had less than 5 years at 8.57%. This proves that majority of the respondents were in a position to give out information in a detailed and elaborated manner. The table 4.4 below represents this information.

**Table 4.4 Respondents' Level of Experience**

| Level of Experience | Frequency | Percentage (%) |
|---------------------|-----------|----------------|
| < 5 years           | 3         | 8.57           |
| 5-10 years          | 4         | 11.43          |
| 10-15 years         | 13        | 37.14          |
| 15-20 years         | 10        | 28.57          |
| >20 years           | 5         | 14.29          |
| <b>Total</b>        | <b>35</b> | <b>100</b>     |

#### **4.3.4 Distribution of Respondents by Level of Education**

The different respondents had very different education level. Majority of them (51.43%) had Bachelor's degree level of education. This was followed by those who had master's degree level of education, representing 25.71% of the respondents. The least were those who had Doctorate degree at 8.57%. None of the respondents fell either in the KCSE or Certificate groups. This ascertains that many respondents were literate and able to read, understand and interpret the questions properly. They were also able to give out answers that were in accordance with the topic of study. Table 4.5 is a representation of this information.

**Table 4.5 Respondents' Level of Education**

| Level of Education | Frequency | Percentage (%) |
|--------------------|-----------|----------------|
| KCSE               | 0         | 0              |
| Certificate        | 0         | 0              |
| Diploma            | 5         | 14.29          |
| Bachelor's Degree  | 18        | 51.43          |
| Master's Degree    | 9         | 25.71          |
| PHD                | 3         | 8.57           |
| <b>Total</b>       | <b>35</b> | <b>100</b>     |

#### **4.4 Working Capital management**

Responses relating to first objective of this research, working capital management are summarized in the table below. The responses were rated on a 5-point Likert scale ranging from number 1, strongly disagree to number 5 strongly agree.

**Table 4.6 Working Capital management**

|   | 1      | 2      | 3      | 4      | 5      |
|---|--------|--------|--------|--------|--------|
| 1. Cash for the project is kept in the bank account and only withdrawn whenever demanded                        | 0%     | 0%     | 5.71%  | 8.57%  | 85.75% |
| 2. Withdrawal of cash from the bank account is done after the concerned management team has discussed about it. | 2.86%  | 8.57%  | 8.57%  | 11.43% | 68.59% |
| 3. Cash is withdrawn from the bank account by only three authorized signatories                                 | 2.86%  | 2.86%  | 5.71%  | 14.29% | 74.31% |
| 4. Cash is only used for the right purpose without any misuse by the parties handling it                        | 11.43% | 5.71%  | 17.14% | 28.57% | 37.14% |
| 5. Cash from various sources is categorized separately and kept in different accounts to avoid confusion        | 2.86%  | 14.29% | 28.57% | 34.29% | 20.00% |
| 6. All the inventories used in the project are kept in a well-constructed store to prevent them from damage     | 2.86%  | 5.71%  | 2.86%  | 5.71%  | 82.89% |
| 7. The store for the inventory is well secured with no unauthorized   | 14.29% | 2.86%  | 11.43% | 45.71% | 22.86% |



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persons allowed to enter

8. Issuing of the materials is

|                                |        |       |    |        |        |
|--------------------------------|--------|-------|----|--------|--------|
| done by authorized persons and | 14.29% | 8.57% | 0% | 31.43% | 48.57% |
|--------------------------------|--------|-------|----|--------|--------|

received by the authorized persons

having made a formal requisition

9. All inventory is used for the

|                                     |        |        |       |        |        |
|-------------------------------------|--------|--------|-------|--------|--------|
| right purpose according to the plan | 22.86% | 11.43% | 8.57% | 17.14% | 40.00% |
|-------------------------------------|--------|--------|-------|--------|--------|

earlier made by the management

10. All inventories are insured to

|                                  |       |        |        |        |        |
|----------------------------------|-------|--------|--------|--------|--------|
| cater for any unforeseen events. | 5.71% | 14.29% | 31.43% | 14.29% | 34.29% |
|----------------------------------|-------|--------|--------|--------|--------|

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From the study, it was found that many of the respondents (85.75%) strongly believe that cash is being kept in the bank account and only withdrawn whenever it is required. It was also found that money is withdrawn only after the concerned management has discussed about it. This was shown by 68.59% of the respondents strongly agreeing to this fact. The withdrawal of money from the account is also carried out by 3 signatories of the project. 74.31% of the respondents confirmed this. The study further confirmed that the money withdrawn was being used for the right purpose and that they were being categorized separately to avoid confusion. As far as management of cash is concerned, very few respondents (less than 15%) in each case were on the disagreeing side meaning that cash was being managed well for these projects.

It was also found that there was proper management of inventory of the said projects. This was reported by 82.89% of the respondents strongly agreeing that inventory was being kept in a well-constructed store to prevent them from being damaged. A total of 68.57% of the respondents were on the agreeing side that the store where inventory was kept was being guarded securely and that no unauthorized person was allowed to enter. Issuing of materials from store was being done by authorized persons who have made formal requisitions. This was confirmed by a total 80% of the respondents being on the agreeing side compared with 22.86% of the respondents being on the disagreeing side. The study also found that the inventory was being used for the right purpose according to the plan earlier made by the management. It was also confirmed that inventory was being insured to cater for any eventualities. A total of 48.58% of the respondents confirmed this which was the highest percentage compared to those who were on the disagreeing side. This confirms that there was good management of inventory for these projects.

#### **4.5 Accountability**

Table 4.7 below shows the responses from the respondents regarding the accountability of the management as far as the use of finances in the running of the studied projects is concerned.

**Table 4.7 Accountability**

|   | 1      | 2      | 3      | 4      | 5      |
|---|--------|--------|--------|--------|--------|
| <b>There are books of accounts in which all transactions are kept</b>   | 17.14% | 14.29% | 22.86% | 11.43% | 34.29% |
| . There is no single transaction that takes place and is not recorded   | 20.00% | 5.71%  | 20.00% | 11.43% | 42.86% |
| . Recording of transaction is kept by a qualified person who has adequate skills                                    | 2.86%  | 2.86%  | 11.43% | 5.71%  | 77.14% |
| . Only authorized persons are allowed to access books of accounts   | 0%     | 2.86%  | 5.71%  | 2.86%  | 88.57% |
| . All the books of accounts are kept in safe custody and there is no access by unauthorized persons                 | 2.86%  | 8.57%  | 5.71%  | 8.57%  | 74.29% |
| . All transactions that take place are reported to the concerned persons at regular intervals                       | 17.14% | 14.29% | 2.86%  | 22.86% | 42.86% |
| . Correct and true information is reported with no errors whatsoever  | 34.29% | 8.57%  | 5.71%  | 22.86% | 28.57% |
| . Inspection of the books of accounts is done regularly by a team of internal auditors and from the government side | 20.00% | 14.29% | 8.57%  | 14.29% | 42.86% |

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|                                       |        |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|--------|
| . Books of accounts are audited by    |        |        |        |        |        |
| qualified auditors after a reasonable | 5.71%  | 11.43% | 14.29% | 5.71%  | 62.86% |
| duration                              |        |        |        |        |        |
| . Feedback from the concerned parties |        |        |        |        |        |
| on the audited reports is taken       | 31.43% | 25.71% | 20.00% | 14.29% | 8.57%  |
| seriously and actions taken           |        |        |        |        |        |
| appropriately                         |        |        |        |        |        |

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From the above table it is found that the projects have books of accounts where the various transactions are recorded. This was confirmed by 34.29% who strongly agreed and 11.43% of the respondents who agreed to the statement. It was only a total of 31.43% of the respondents who disagreed to this statement while the remaining 22.86% of them remained neutral. Every transaction relating to the project is recorded as reported by 54.29% of the respondents who were on the agreeing side to the statement. Only 25.71% of the respondents were on the disagreeing side as far as this information is concerned. Transactions were also reported to being carried out by qualified persons only. 77.14% of the respondents strongly agreed to this statement while only 5.72% of the respondents disagreed to the statement.

Regarding access to accounts, 88.57% of the respondents strongly agreed that only authorized persons were allowed while other people were not. A very small number, 2.86% of the respondents disagreed to this. All the books of accounts were also

found to be kept in safe custody to avoid unauthorized access and informal alterations. This was confirmed by 74.29% and 8.57% of the respondents who strongly agreed and agreed respectively to the statement. The study also found out that the transactions are reported to the concerned persons at regular intervals as confirmed by a total of 65.72% of the respondents who were on the agreeing side to the statement. As regards reporting of true and accurate information without errors, 51.43% of the respondents agreed to the statement and 42.86% of the respondents disagreed. This information was therefore not perfectly clear as almost the same number of the respondents were on both sides of the statement.

Books of accounts were also reported to be inspected by a team of internal auditors and from the government at regular intervals. This was confirmed by 42.86% of the respondents who strongly agreed and 14.29% of them who agreed to this statement. The auditing process was also reported to be carried out by qualified persons after a reasonable duration. However, the respondents reported that the feedback from the auditors was not being taken seriously or action taken. This was confirmed by 25.71% and 31.43% of the respondents who disagreed and strongly disagreed respectively.

Despite the last statement of not responding to the feedback from the auditors, it can be concluded that there was reasonable accountability as far as the use of finances is concerned.

## 4.6 Financial Planning

Regarding how the management manages their finances through financial planning, respondents responded to the various questions as shown in the table 4.8 below.

**Table 4.8 Financial Planning**

|  | 1      | 2      | 3      | 4      | 5      |
|--|--------|--------|--------|--------|--------|
| 20. Procurement of materials is done from reliable sources   | 17.14% | 25.71% | 0%     | 8.57%  | 48.57% |
| 21. Formal tendering procedure is followed whenever materials are procured                                       | 17.14% | 5.71%  | 5.71%  | 14.29% | 57.14% |
| 22. Only authorized team of personnel responsible for the tendering process carry out the vetting of the tenders | 2.86%  | 0%     | 14.29% | 5.71%  | 77.14% |
| 23. Tenders are only given to qualified suppliers and contractors without any bias or favoritism                 | 37.14% | 14.29% | 28.57% | 17.14% | 2.86%  |
| 24. No specific supplier has an upper hand over the others   | 28.57% | 17.14% | 20.00% | 20.00% | 14.29% |
| 25. Before placing tender adverts, budget has to be made by the concerned team concerning what to                | 8.57%  | 5.71%  | 0%     | 17.14% | 68.57% |

---

procure

26. Budget is always made in

|  |    |        |       |        |        |
|--|----|--------|-------|--------|--------|
| such a way that the amount for         | 0% | 17.14% | 5.71% | 22.86% | 54.29% |
| materials is proportional to the total |    |        |       |        |        |
| amount allocated                       |    |        |       |        |        |

27. Management always operates

|                                      |       |        |       |        |        |
|--------------------------------------|-------|--------|-------|--------|--------|
| within the budget whenever procuring | 8.57% | 20.00% | 2.86% | 28.57% | 40.00% |
| materials for the project            |       |        |       |        |        |

28. The procured materials are

|                                     |    |       |       |        |        |
|-------------------------------------|----|-------|-------|--------|--------|
| always of the predetermined quality | 0% | 2.86% | 8.57% | 25.71% | 62.86% |
| and quantity                        |    |       |       |        |        |

29. Materials ordered always

|                                    |       |        |    |       |        |
|------------------------------------|-------|--------|----|-------|--------|
| arrive on time without causing any | 5.71% | 20.00% | 0% | 2.86% | 71.43% |
| delay in the project activities.   |       |        |    |       |        |

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The analyzed data relating to financial planning shows that procurement of materials was being done from reliable suppliers and that tendering procedures were being followed before awarding of tender to the suppliers. This was reported by a total of 57.14% of the respondents on the agreeing side of the first statement and 71.43% on the agreement in relations to the second statement. As reported by 5.71% of the respondents who agreed and 77.14% who strongly agreed, the vetting of the suppliers was being carried out only by authorized team of personnel. Despite this, more respondents (37.14% and 14.29%) were on the disagreeing side as opposed to

those who were on the agreeing side (17.14% and 2.86%) as regards the offering of tenders to qualified suppliers and contractors without bias. This means that at some point some suppliers and contractors were being favored more than others who might be more qualified. This was also confirmed by a total of 45.71% of the respondents disagreeing to the statement that there was no supplier who had an upper hand over the others. Only 34.29% of the respondents agreed to this statement.

It was strongly agreed by 68.57% of the respondents and agreed by 17.14% of them that budget of the requirements was being made first before going on with the procurement. It was also supported by a total of 77.15% of the respondents that the budget was always made in such a way that the amount of materials was proportionate to the total amount allocated. The project team, as reported by 68.57% of the respondents being on the agreement side, always operated within the budget whenever the materials were being procured. The procured materials were also reported by 62.86% of the respondents who strongly agreed and 25.71% who agreed that they were of the pre-determined quality and quantity. On top of that, the materials ordered were reported to be arriving on time. This was confirmed by 71.43% of the respondents strongly agreeing and 2.86% agreeing to the statement. The study found, generally that there was good financial planning for the projects.



#### 4.7 Project Performance

The table below is the response from the respondents regarding how the projects studied perform in relation to the management of finances practiced by the stakeholders.

**Table 4.9 Project Performance**

|   | 1      | 2      | 3      | 4      | 5      |
|---|--------|--------|--------|--------|--------|
| 30. The cost of the project is within the Budget  | 2.86%  | 5.71%  | 2.86%  | 22.86% | 65.71% |
| 31. The project requires (did require) no external funding for its completion                       | 0%     | 5.71%  | 5.71%  | 8.57%  | 80.00% |
| 32. The project has taken (took) the scheduled length of time                                       | 8.57%  | 40.00% | 2.86%  | 11.43% | 37.14% |
| 33. There is likely to be no extension of time from what was planned earlier.                       | 8.57%  | 5.71%  | 8.57%  | 17.14% | 60.00% |
| 34. The quality of the project met/ (is to the) standard  | 2.86%  | 8.57%  | 5.71%  | 8.57%  | 74.29% |
| 35. There is no repair or adjustment required for the project to be accepted as having best quality | 11.43% | 17.14% | 20.00% | 34.29% | 17.14% |
| 36. All the projects that have been   | 8.57%  | 40.00% | 2.86%  | 11.43% | 37.14% |

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started have been completed within  
the stipulated period.

37. The projects that are underway  
are within the timelines and are 11.43% 5.71% 8.57% 17.14% 71.43  
believed to be completed at the right  
time.

38. No project was left hanging 14.29% 20.00% 5.71% 17.14% 42.86%  
due to lack of funds or materials.

39. Through monitoring and  
Evaluation all the projects that have 5.71% 14.29% 5.71% 28.57% 45.71%  
been completed have been found to be  
within the set standards.

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The projects studied were found mostly to be performing well. This was indicated by a number of factors which most of the respondents agreed or strongly agreed to. As regards cost of the project, 65.71% of the respondents strongly agreed and 22.86% of the respondents agreed that it was within the budget. The amount that was allocated for the project was also enough and the projects didn't require any external funding. This was reported by 80% of the respondents strongly agreeing and 8.57% agreeing to the statement. When it comes to the length of time that the projects have taken before completion, equal number of the respondents, 48.57%, was on each side of the agreement and disagreement. This could mean that some projects have been completed on time while others have delayed. Despite this, 77.14% of the

respondents agreed that the projects might not require extension of time from that which was planned.

In relation to the quality of the project, 74.29% strongly agreed and 8.57% agreed that the projects were to the standards set in advance. It was also found out that there was no repair or adjustment required for the project to be accepted as having best quality as confirmed by a total of 51.43% of the respondents being on the agreeing side. The completed projects were also found to have been fully completed and none of them was left hanging. This was confirmed by 42.86% of the respondents strongly agreeing to the statement and 17.14% agreeing as opposed to a total of 34.29% of them on the disagreeing side. The completed projects were also found to be in line with the standard meaning that the quality was not compromised. A good number, 45.71% strongly agreed and 28.57% agreed to this statement while 14.29% and 5.71% disagreed and strongly disagreed to the statement respectively.

This generally shows that despite some projects not being completed on time, the performance of the studied projects has been good as they have been found to be of the right quality, completed within the budget and within the scope.

**CHAPTER FIVE**  
**SUMMARY OF THE FINDINGS, CONCLUSION AND**  
**RECOMMENDATIONS**

**5.1 Introduction**

The section provides the summary of the general findings, conclusions and even recommendations of this research. This was purely based on the findings of the research that has been discussed and even presented in the last chapters.

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**5.2 Summary of the findings**

The research had purposed to evaluate what impact of management of finance on the CDF performance financed schools in sub-county of Bureti..

The main goal was to research on the effect of Working Capital management on the performance of the projects in Bureti Sub-County. The study found out that there was efficient management of money as they were kept in the bank account and only withdrawn when demanded. The withdrawal of money was also found to be carried out only after the management team had sat down and discussed about it. Also found out was the fact that the cash was being withdrawn having been signed by three signatories and was being used for the right purpose. There was also good management of inventory as they were being kept in well-constructed stores which were well secured. Only authorized persons were being allowed to issue the materials to the authorized persons who have made formal requisition for the same. The materials were also insured against any eventualities.

The objective number two was to research on the influence of Accountability of funds utilized on project performance in Bureti Sub-County. It was found out by the study that there was accountability for the funds used for the projects. This was confirmed by the fact that there management had books in which all the transactions were being recorded, that there was no transaction that took place without being recorded and that the people who carried out the recording of the transactions were qualified. It was also found out that the access to the books of accounts was only done by authorized persons and that there was no unauthorized person who could access these books as they were being kept in safe custody. Also the information in the books of accounts was being reported to the concerned persons at regular intervals. The information given was also found out to be that which was correct and had no errors. The books of accounts were being audited by qualified team from both the management side and the government side at regular intervals. However, the study found out that the feedback from the auditors was not being taken seriously and that no action was being taken.

The third objective was to be able to examine the influence of financial planning on project performance in Bureti Sub-County. The research established that there was efficient financial planning. This was indicated by the fact that there was efficient tendering procedure as the formal process of tendering was followed by authorized qualified personnel. It was also found that the materials used in the project were being sourced from reliable suppliers. On the other hand, there was favoritism when it came to awarding of tenders to the suppliers as some suppliers were found to be

having upper hand than the others. The materials were being procured after a budget had been made for the same. The budget so made was in such a way that the cost of materials was proportionate to the total amount allocated. The team also when procuring materials, stuck to the budget to avoid buying unplanned materials. It was also found out that the materials were of the predetermined quality and quantity and that they always arrived on time to avoid delays in completion of projects.

As regards the performance of the projects, the study found out that the projects performed well. This was confirmed by the fact that the projects was completed within the budget set in advance and that there was no extra funding that was injected into the projects. When it comes to the duration of the project however, the study found out that there was equal number of the respondents that agreed to the fact that the project has taken reasonable duration of time and those who disagreed. The projects were also found to be of the right quality in that they were up to the standards set in advance and that there was no project that was left hanging.

### **5.3 Conclusions on the Study**

According to the findings, it can be concluded that there has been good management of working capital in the projects studied. This is because cash as a component of working capital is being managed well as every transaction is being recorded, cash being kept in the bank account and that there is no withdrawal of cash without budgeting and planning of the same in advance. Inventory was also found to be well

managed as they were being kept in well-constructed secured stores and were issued only to authorized persons who have made formal requisition.

It can also be concluded that as far as responsibility for the funds used is apprehensive, the management of the projects was accountable. This is confirmed by the fact that they kept the books of accounts where every transaction was recorded. The books were only accessed by authorized persons to avoid any fraudulent alteration of figures by other personnel. The books were also being audited on a regular basis by qualified teams from both the project management side and the government side. This was for transparency and to hold the management accountable for any fishy activity. It is also concluded that despite being accountable, the management never took the advice of the auditors seriously.

The study further concludes that there was proper financial planning as far as the project management was concerned. This was proved by the fact that there was proper tendering for the procurement of the materials required by the authorized competent team. This was to avoid procuring poor quality materials or sourcing from unreliable suppliers. Budget was also being prepared in advance before purchasing anything and that it was being followed strictly to avoid misappropriation of funds.

Finally, the study concludes that the projects were performing well as was indicated by the fact they operated within the budget established in advance. It was also confirmed by the fact that the projects were of the right quality set and were within

the scope. It was however found that there were some projects that were not completed on time.

It can therefore be concluded generally that financial management has got positive correlation with the performance of projects.

## **5.4 Recommendations**

### **5.4.1 Recommendations for Policy Formulation**

From the scholarly work, it is recommended that for good performance of the projects, the members of the project team should check on the management of working capital. Cash should not be used without prior budget for the required materials and other items to avoid impulse buying which leads to misappropriation of the same. Creditors should also be vetted first before dealing with them and be paid their dues when they fall due in order to build trust with them. The management should also see to it that the inventory is kept in safe place and that they are handled by qualified trusted persons. Issuing of the inventory should also be done in a formal manner and the persons issuing and receiving should be authorized.

It is also recommended that there should be accountability from the management. This is carried out through keeping of proper books of accounts and ensuring that all the transactions are recorded appropriately. Auditing of the books should also be done periodically by an independent team of auditors, especially from the donor's side. This will help in building trust in the donor and other stakeholders.



The study also recommends that there should be good financial planning for every project. It suggests that before carrying out any activity, planning should be made in order to know in advance the requirements and their cost. Budgeting should be key in every project and sticking to the budget should always be the tradition.

#### **5.4.2 Recommendations for further studies**

The research did examine the influence of financial management on the performance of constituency development funds financed school projects in Bureti sub-county. Another study can be carried out in other sub-counties to draw about general conclusion on the topic. The study also majored on CDF funded school projects, similar studies can be carried out using other projects. The study also concentrated on three areas of financial management which included working capital management, accountability for funds and financial planning. Future studies should look into other areas of financial management to bring about a general conclusion. Future studies should also check on other factors that influence project performance a part from financial management.

### 5.5 Contribution of the study to the body of knowledge

The study has contributed to the body of knowledge in the following ways:

| Research Question   |  | Contribution to the body of Knowledge  |
|---|--|--|
| What relationship does Working Capital management have with Project performance in Bureti Sub-County? |  | Good management of working capital ensures availability of cash for running the project and that there is quality materials in good conditions. It also ensures trust from supplier's hence timely completion of quality project.                                    |
| How does the Accountability of funds utilized relate to project performance in Bureti Sub-County?     |  | Accountability commands trust from the donors and other stakeholders. It also ensures that the right amount is used for the right purpose. This leads to having quality project completed on time within the budget.   |
| To what extent does financial planning relate to project performance in Bureti Sub-County?            |  | Financial planning ensures that the required items are identified to compare with the available funds. This provides for adjustment where necessary so that all the required resources are acquired for timely completion of the project within the stipulated time. |

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## APPENDICES

### Appendix 1: Questionnaire

I am a student of University of Nairobi taking Master of Arts in Project Planning and management degree. It is a requirement before completion of the course to carry out a research project. My research topic is “Relationship between Financial Management and Project Performance. A case study of CDF funded schools in Bureti Sub-County.” Please fill this questionnaire to help me carry out this research adequately. Do not write your name or the name of your institution anywhere in this questionnaire.

#### PART A: BIO-DATA INFORMATION

1. What is your gender? Male  Female

2. What is your age in years?

Below 20 yrs  20-30 yrs  30-40  40-50yrs  50-60yrs  Above 60 yrs.

3. What role do you play in this project?

Principal/BOARD OF MANAGEMENT  Contractor  CDF Committee member

4. How long have you been in your position?

Less than 5 yrs  5-10 yrs  10-15 yrs  15-20 yrs  Above 20 yrs

5. What level of Education did you attain?

KCSE  Certificate  Diploma  Bachelors' Degree  Masters' Degree

Doctorate Degree

**PART B: PROJECT INFORMATION**

**KEY**

Please use the following scale.

Strongly Agree-----1

Agree-----2

Undecided-----3

Disagree-----4

Strongly Disagree-----5

**SECTION I: Working Capital Management**

|  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|--|----------|----------|----------|----------|----------|
| 40. Cash for the project is kept in the bank account and only withdrawn whenever demanded  |          |          |          |          |          |
| 41. Withdrawal of cash from the bank account is done after the concerned management team has discussed about it.                 |          |          |          |          |          |
| 42. Cash are withdrawn from the bank account by only three authorized signatories  |          |          |          |          |          |
| 43. Cash is only used for the right purpose without any misuse by the parties handling it  |          |          |          |          |          |
| 44. Cash from various sources is categorized separately and kept in different accounts to avoid confusion                        |          |          |          |          |          |
| 45. All the inventories used in the project are kept in a well-constructed store to prevent them from damage                     |          |          |          |          |          |
| 46. The store for the inventory is well secured with no unauthorized persons allowed to enter                                    |          |          |          |          |          |
| 47. Issue of the materials is done by authorized persons and received by the authorized persons having made a formal requisition |          |          |          |          |          |

|     |  |  |  |  |  |  |
|-----|--|--|--|--|--|--|
| 48. | All inventory is used for the right purpose according to the plan earlier made by the management |  |  |  |  |  |
| 49. | All inventories are insured to cater for any unforeseen events.                                  |  |  |  |  |  |

## SECTION II: ACCOUNTABILITY

|     | 1   | 2 | 3 | 4 | 5 |
|-----|---|---|---|---|---|
| 50. | There are books of accounts in which all transactions are kept  |   |   |   |   |
| 51. | There is no single transaction that takes place and is not recorded   |   |   |   |   |
| 52. | Recording of transaction is kept by a qualified person who has adequate skills about recording                    |   |   |   |   |
| 53. | Only authorized persons are allowed to access books of accounts   |   |   |   |   |
| 54. | All the books of accounts are kept in safe custody and there is no access by unauthorized persons                 |   |   |   |   |
| 55. | All transactions that take place are reported to the concerned persons at regular intervals                       |   |   |   |   |
| 56. | Correct and true information is reported with no errors whatsoever  |   |   |   |   |
| 57. | Inspection of the books of accounts is done regularly by a team of internal auditors and from the government side |   |   |   |   |
| 58. | Books of accounts are audited by qualified auditors after a reasonable duration                                   |   |   |   |   |
| 59. | Feedback from the concerned parties on the audited reports is taken seriously and actions taken appropriately     |   |   |   |   |



**SECTION III: FINANCIAL PLANNING**

|  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|--|----------|----------|----------|----------|----------|
| 60. Procurement of the materials is done from reliable sources   |          |          |          |          |          |
| 61. Formal tendering procedure is followed whenever materials are procured   |          |          |          |          |          |
| 62. Only authorized team of personnel responsible for the tendering process carry out the vetting of the tenders     |          |          |          |          |          |
| 63. Tenders are only given to qualified suppliers and contractors without any bias or favoritism                     |          |          |          |          |          |
| 64. No specific supplier has an upper hand over the others   |          |          |          |          |          |
| 65. Before placing tender adverts, budget has to be made by the concerned team concerning what to procure            |          |          |          |          |          |
| 66. Budget is always made in such a way that the amount for materials is proportionate to the total amount allocated |          |          |          |          |          |
| 67. We always operate within the budget whenever procuring materials for the project                                 |          |          |          |          |          |
| 68. The procured materials are always to the predetermined quality and quantity                                      |          |          |          |          |          |
| 69. Materials ordered always arrive on time without causing any delay in the project activities.                     |          |          |          |          |          |

**SECTION IV: PROJECT PERFORMANCE**

|  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|--|----------|----------|----------|----------|----------|
| 70. The cost of the project is within the Budget   |          |          |          |          |          |
| 71. The project requires (did require) no external funding for its completion  |          |          |          |          |          |
| 72. The project has taken (took) the scheduled length of time  |          |          |          |          |          |
| 73. There is likely to be no extension of time from what was planned earlier.  |          |          |          |          |          |
| 74. The quality of the project met/ (is to the) standard   |          |          |          |          |          |
| 75. There is no repair or adjustment required for the project to be accepted as having best quality                        |          |          |          |          |          |
| 76. All the projects that have been started have been completed within the stipulated period of time.                      |          |          |          |          |          |
| 77. The projects that are underway are within the timeline and are believed to be completed at the right time.             |          |          |          |          |          |
| 78. No project was left hanging due to lack of funds or materials.   |          |          |          |          |          |
| 79. Through monitoring and Evaluation all the projects that have been done have been found to be within the standards set. |          |          |          |          |          |

**Thanks for your Co-operation.**