EFFECT OF QUALITY OF FINANCIAL REPORTING ON FINANCIAL SUSTAINABILITY OF FUNDED AGRICULTURAL PROJECTS: A CASE STUDY OF MARSABIT COUNTY

BY

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DECLARATION

This is my original research work and never has it been submitted for any award or honor in some other college or higher learning institutions.

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This research work has been submitted for assessment with my endorsement as the College supervisor.

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DEDICATION

To

My dear caring dad

Mr. Milton Ogot

(Your continued support, encouragement and inspiration is why I have attained this)

And

My dear loving mum

Mrs. Hellen Ogot

(Your ever present diligent love, compassion and motherly advice brings me this far)

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ABSTRACT

This research study aimed at establishing effect of quality of financial reporting on financial sustainability of funded agricultural projects in Marsabit County. This was aided by three specific objectives that included: To determine effect of qualitative attributes of financial reporting on financial sustainability of agricultural funded project, determine effect of financial management strategy on financial sustainability of agricultural funded projects and lastly to determine impact of stakeholders' participation and involvement on financial sustainability of agricultural funded projects. The study took up a descriptive research design and its targeted population included all the 9 funded agricultural projects in Marsabit County as at February 28th 2020. Stratified purposive sampling of 71 key project personnel and key users of prepared financial reports was taken. This was objectively done to ensure the study got the needed information due to the dynamic characteristics. Each project represented a stratum from which the samples were drawn. Primary data was obtained through the use of structured questionnaires. Both qualitative and quantitative data were used. The information was largely studied and analyzed using illustrative and inferential statistics. Specific inferential used included correlational and regression analysis. A two-phase model was adopted and, ultimately, a multivariate model was applied in determining quality and direction of correlation of study variables. Outcome of the research showed, there exist a positive significant association between financial sustainability and financial reporting quality, financial sustainability and financial management strategy, financial sustainability and stakeholder involvement & participation of funded agricultural projects in Marsabit County. The study recommended that funded agricultural projects should take a qualitative approach in reporting that incorporates faithful representation, relevance in terms of providing information that is forward looking, information that addresses business opportunities and risks, information that complements in terms of providing feedback on how certain significant transactions and market events affect the operations of the projects in order to improve financial sustainability.

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ABREVIATIONS AND ACCRONYMS

CBO	Community-Based Organizations
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization
FBO	Faith-Based Organizations
IDA	International Development Association
NPV	Net Present Value
NGO	Non-Governmental Organizations
SSA	Sub- Saharan Africa
WTO	World Trade Organization

CHAPTER ONE: INTRODUCTION

1.1 Background

Improved quality in reporting financial data within Agricultural sector is currently on a global focus as it's found to play a significant role in enhancing households' and organizations decision making. Sustainability originates from the Latin word "sustinere" (in which Sus imply from below and tenere, means to hold). According to Kerine (2015), sustainability means continuity or to keep in existence or maintain with a long-term view or permanence. Sustainability of a project has therefore been defined as the state whereby a project and its intervention programs operate well according to its design and create expected benefits to stakeholders indefinitely Kerine (2015).

In theory, life cycle theory helps explain financial sustainability requirement of agricultural funded projects. The Life Cycle Theory by Mueller (1972) is relevant in business growth process from start up to decline or rebirth. Proponents of this model have argued that financial strategies of a firm change with the life cycle stages and therefore, projects like any other business have a need to change and apply appropriate financial strategies as dictated by the needs of their stage of growth. According to (Bender and Ward, 2009) most financial managers acquire experience with time of the project's needs and the urge to broaden their financing options and steer projects into sustainability.

In Kenya, Agricultural Funded Projects have continued to show poor performance especially in marginalized jurisdictions like Marsabit County where state agricultural financing is on the raise (Ouma, 2012). A Recent shut down that reaped the country off Sh7bn Galana Kulalu Irrigation Project that was located in coastal region of Kenya. This has proven that, despite the government and donor efforts to sustain these projects, achieving sustainable financial balance still is a

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challenge. As cited in a study, this is mainly been attributable to limitation of financial capacity, technical capacity and management skills of the implementing agencies (Echobu et al., 2017). In pursuit of the cause behind this poor performance of Agricultural Funded Projects, scholars and practitioners have investigated on various issues but none has looked into the impact that quality of financial reporting has on financial sustainability of these projects. This research work aimed at establishing contributory effect of quality in financial reporting in enhancing financial sustainability of development projects such as Agricultural funded Projects in Marginalized Counties of Kenya the case on point being Marsabit County.

1.1.1 Quality of Financial Reporting

IASB defines quality in financial reporting as capability of financial reports to disclose both qualitative and quantitative information in a faithful and objective manner that is useful and capable of aiding economic decisions made by the report users. Users in this present study are the investors and the beneficiary of these invested funds. Some empirical studies have argued that to achieve this objective, financial reports generated must meet all the element of quality which include timeliness, faithful representation, reliability, understandability and comparability (Beest et al., 2009). A literature review study by Herath and Albarqi, (2017) attributed the above mentioned quality elements, internal accounting system, corporate governance practices, internal control, auditing, audit committees, and as main contributors to financial reporting quality.

Financial reporting quality was operationalized and measured by a 5-point rating Likert scores on enhancing and fundamental qualities of information: Relevance and faithful representation of information were considered fundamentally important and therefore standardized scores per respondent were equally weighted by dividing the sum of the two by two. Extent of comparability,

timeliness and, understandability were treated the same way as the first two but weighted on lower values compared to those of the fundamental qualities supported by their level of importance (Beest et al., 2009). The weighted standardized score on fundamental and enhancing qualities were summed up to give the total scores on financial reporting quality.

1.1.2   Financial Sustainability

An Agricultural Funded Project is said to be financially sustainable when it's capable of maintaining its asset capital as well as its financial capital over a long period of time (Echobu et al., 2017). A sustainable financial balance got its origin from a phenomenon referred to as "the common pool resource theory." This phenomenon's interest is to explain accountable management of resources that are commonly owned. This is on the basis that unsustainable financial decisions set by organizations create a capacity that put them in for a heavy downfall when the good periods come to an end (Garrett Hardin, 1968). Observance of financial discipline during the good years is just as crucial, or may be even of more importance to organizations just as it is in the years of financial distress (Sardaro, et al., 2017).

A study by Zabolotnyy and Wasilewski, (2019) on measuring financial sustainability, emphasized on the following as key measures of financial sustainability: net liabilities ratios, asset sustainability ratio and operating surplus ratio. For this particular study, net liabilities ratio was deemed fit as the measurement of financial sustainability since it shows how far net liabilities can be met by revenue from operations over the long term and required data was available for the all projects. The standardized values of net liabilities ratio was used as the measurement of financial sustainability.

1.1.3 Quality of Financial Reporting and Financial Sustainability

Financial reporting quality has a significant integral role in achieving a sustainable financial balance in development projects. Quality reports have been argued to have an enhancing effect on aiding financial decision making by availing reliable information on financials, environmental and social impacts of development projects therefore helping businesses improve on resource management and operational efficiency (IASB, 2008). This impact is mainly based on the quality of information generated. Empirical studies have found financial reporting system enhances accountability, compliance, transparency, management of financial resources and improves quality and reliability of information to the intended users which is key to enhancing financial sustainability (Herath and Albarqi, 2017). This is achieved by providing forward-looking information to management and alert on any future realities that may need current actions.

In theory based on literature, correlation between financial reporting quality and financial sustainability is assumed to have a positive relationship. This is attributable to the knowledge that, quality reports have a wide range of positive use ranging from assessing the viability of large Agricultural Projects before commitment of finances to projects that might prove to be unsustainable in the course of their implementation to many more. For projects to achieve financial sustainability, a healthy financial foundation emerging from reliable sources of capital, integrated reporting systems for quality, accountability and transparency, cash flow forecasting and diversification of products are significant considerations (Nturibi, 2004).

1.1.4 Funded Agricultural Projects in Marsabit County

The role of grants and government funding in driving agricultural transformation is widely acknowledged across the world. This was best illustrated when leaders and governments issued an

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international order which formed four institutions namely: General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), World Bank and International Monetary Fund (IMF) Gavin and Rodrik, (1995). Today, World Bank among others is a number one fund provider to most agricultural projects. Approximately US$ 6.7 billion was allocated to Agriculture through International Development Association commitments in 2019 (World Bank, 2020).

In Kenya, there has been an increase in government commitment to fund agricultural projects. Special focus being given to marginalized Counties such as Marsabit County through the various players and agencies. This has been due to the pressing need to help achieve shared prosperity, reduce excessive poverty and feed approximately 9.8 billion people at the end of 2050 (World Bank, 2020). As published by Marsabit County CIDP (2018), agricultural sector of the County has been documented to being more effective in generating income to the poorest population compared to the rest of the other sectors. This is because about 65% of working adults make their living purely through farming. Farming in addition contributes directly and indirectly to Gross Domestic Product (GDP) through linkages with other industries. However, despite these efforts by government and external donors, financial sustainability of most of these funded projects still is a challenge. Large projects have collapsed in the recent past and in an attempt to curb the trend very few projects have appreciated the significant role that financial reporting quality plays at analysis of the decision to commit funds, in subsequent management of the committed fund, external environmental impacts of these projects. Financial reports are used to provide reliable information that aid economic and financial decisions at every stage of these projects. However, with this benefits the effect of quality of financial reporting on financial sustainability has not been scientifically researched and proven.

1.2   Research Problem

Financial Sustainability is today at the heart of international financial policies and plays a key role in project financial modeling in a wide range of sectors across the globe. To this effect, it has been argued that sustainable financial balance and agricultural growth in developing nations especially should be given much effort by all countries (Tenywa et al., 2011). Worldwide, investments in agriculture serve as a stimulus in enhancing food security which is an important need of the developed nations and a major challenge of the third world countries. Some of the factors that have been argued to have influenced low agricultural performance include, financial constraints, environmental impacts and climate change (Challinor et al., 2007). This creates the important need to have reporting systems integrated in implementation of this projects to boost on financial reporting quality, accountability, transparency and reliability of information used in decision making. Quality financial reporting are also critical in providing information needed in assessing environmental impact or negative externalities associated with these projects.

In Kenya, farming contributes about 26 per cent of the Kenyan GDP and about 27 percent indirectly through linkages with other sectors (World Bank, 2018). This explain why sustainability of this sector is therefore key and critical. According to Marsabit County Development Plan 2013-2018, rural development and agriculture contributes approximately 60 per cent of Marsabit County's income. Agriculture also employs close to 70 per cent of its population. However, poverty and food insecurity are still some of the big development challenges of the County. A great part of the population still cannot afford the basic need food. This is attributed to inhibit the success of rural development initiatives but poor performance of Agricultural sector is key. To this effect, attempts across have been made to help curb the trend and improve financial sustainability of development projects. There are global, regional and local empirical studies done

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on the problem area but none has looked into the role played by enhancing quality in reporting on financial sustainability. For example, globally, Olatunbosun, (2015) assessed financial institutions and trends in sustainable agriculture in Sub-Saharan Africa, (Lungo et al., 2017) investigated determinants of sustainability beyond external support in Mansa Diocese and focused on Caritas Norway Supported Governance Projects. (Huber, 2014) assessed sustainability of small-scale farms in North California.

Regionally and locally, (Temba, 2015) studied the impact of stakeholder's Participation and involvement on sustainability of projects in Tanga. (Keura and Moronge, 2016) investigated into drivers of sustainability of funded food security projects in Kenya. In reference to studies quoted above, there exists an opening that the present study sought to investigate and have filled. Since little progress has been made in improving the status quo and empirical studies have given no focus on role played by quality of financial reporting in financial sustainability of these projects, one big question of this study therefore remains: How does quality of financial reporting affect the pressing need for Agricultural funded projects to attain financial self-sufficiency into the future? Therefore the present study aimed at addressing answers to these specific three questions: What's the impact of qualitative characteristics of financial reporting on financial sustainability of funded agricultural projects, how does existing financial management strategy affect sustainability of funded agricultural projects? How stakeholders' participation and involvement impacts financial sustainability of agricultural funded projects?

1.3 Research Objectives

This entails the statement of study's overall objective and the specific objectives that aided the achievement of the overall objective.

1.3.1   General Research Objective

This study aimed at determining effect of quality of financial reporting on financial sustainability of funded agricultural projects in Marsabit County.

1.3.2   Specific Objectives

This study was based on these three specific objectives.

1. To determine effect of qualitative characteristics of financial reporting on financial sustainability of funded agricultural projects.
2. To investigate effect of financial management strategy on financial sustainability of funded agricultural projects.
3. To establish impact of stakeholders' involvement on financial sustainability of funded agricultural projects.

1.4   Value of the Study

Benefits of sustainable funded agricultural projects by far outweigh the negatives. It is the vehicle through which the government, other local agencies and stakeholders can use in achieving long term goals of development in marginalized counties like Marsabit County. The outcome of this study aimed to be of benefit to the following groups:

County Government of Marsabit, other Counties and the government of Kenya, by giving recommendations on how to address financial reporting quality concerns with significant effects on economic decisions. Project implementation agencies, from the findings of this study they will be able to appreciate the significance of financial self-sufficiency focus to the implementation of

projects. The donor community, this study is of importance to donors since it aimed to seek the benefits of having a long term sustainable approach in funding and reporting quality. To future academicians and researchers, the report of this study aims to provide future reference to researchers and possible gaps that may lead to future research work.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This subsection provides extensive literature reviewed on sustainability as well as effects of other control factors affecting sustainability of development projects. It sought to review existing secondary information both published and unpublished to sharpen and deepen the empirical and theoretical and foundation of this research study.

2.2 Theoretical Review

This research was anchored on Life-cycle theory by Modigliani (1980), Modigliani and Miller, (1950) Capital structure theory and stakeholder theory by Freeman (1984).

2.2.1 Life-Cycle Theory

Life-cycle stages by Modigliani is a great theory, upheld by many empirical studies. It looks at time-series and macroeconomic implications of financial decisions by describing the spending and saving habits of households across lifespan. It states that, households aim at smoothening consumption over their lifespan by borrowing during hard times and saving during the times of plenty. This theory helps in ensuring that financial decisions are leveled over time. It was first published in a paper that was written by Modigliani in early 1950s together his student. It has helped and continue to address important policy concerns which many organizations would otherwise have no documentation to reference from.

According to Huang, Lee and Ena (2012), organization's age is considered an important factor influencing financial reporting quality. They further found out that, the older an organization is the

well-structured and stronger their internal control system becomes and the greater guarantee of quality in financial reporting. In addition, this theory has been the ground upon which formulation of financing, costing, survival, growth and production strategies for many firms are based (Porter, 1980). Life cycle theory therefore is a foundation for development towards financial sustainability of agricultural funded projects. The development captures strategic use of both external funding and private capital realized directly through intermediary activities in financing operations and enhancing sound management and innovation.

2.2.2   Capital Structure Theory

The research study between Franco Modigliani and Merton Miller in 1958, gave birth to what today is known as one of the most significant theories in the field of finance. This theory created a base for today's financial decision making on capital structure. As argued by their publications in 1958, 1961 and 1963, the following propositions came about.

Proposition 1– Without taxation, a firm's value in not impacted by its debt to equity proportions. Leverage process will force the value of an equity firm to equalize that of a debt firm. Proposition II – The cost of capital increases with the increase in the firm's risk profile. In the presences of taxes, the total market value of the firm is influenced by tax shield savings as a result of debt use, since interest expense is tax allowable. Proposition III – A firm's value is not influenced by its dividend policy. Of the above propositions, of interest to this study are proposition I and proposition II. This theory helps in establishing the impact of external funding on financial sustainability. Most research studies have found that the long term external funding have a negative effect on efficiency of operations of most projects and this has been attributable to the lack of

competitive pressures (Mburung'a, 2018). This gives the basis for financing decisions that farmers need to give considerations to.

2.2.3   Stakeholder Theory

This theory has its roots in the management discipline of 1970 and was progressively developed by Freeman in 1984. It mainly suggests that, if organizations adopt stakeholders' approach in analyzing relationships between businesses and stakeholders, then businesses would definitely find it easier to address most their problems. This is based on the concept that a business efficiency is mainly influenced by its relationships with the main stakeholders and the change in these relationships over time. Therefore it is management's role to define and effect these relationships in a manner that creates value to stakeholders (Freeman, 1984).

It also argues that in the case that stakeholders' interests' conflict with those of management, then management has to come up with resolutions to the problems in consideration of the needs of a broader group of stakeholders (Harrison, Bosse, & Phillips, 2010). In the case that tradeoffs have to be made, then management has to consider stakeholders interest first because this approach would ensure that all the other interest and maximized at the end of it all (Freeman, Harrison, & Wicks, 2007). One of the objectives is to establish the impact of stakeholders' involvement and participation on financial sustainability. The theory therefore forms a solid foundation for the need of stakeholder approach in enhancing sustainability of any project.

2.3   Determinants of Financial Sustainability of Agricultural Funded Projects

This part outlines a detailed review of the determinants of sustainability and the impact of each and every determinant.

2.3.1 Financial Management Strategies

Financial management in this case does mean adopting a sustainable approach in managing a project's finances with the objective of enhancing performance. The intension of this approach is to achieve the project's goal of maximizing stakeholders' value (Barth et al., 2008). For implementing agencies to manage finances with a strategic approach, first they need precisely defined objective, relevant information resources, and devised plan on how the set financial objectives will be executed in achieving long term visions (Divecha, 2014).

One means of executing effective financial management would involve readjusting present goals in order to attain the project's long-term objectives efficiently. An example would be, when a project suffers limitation in its financing capacity in a certain period, then the appropriate strategic decision would involve choosing to bring down its asset base and increasing their operating activities (Boue & Kjaer, 2010). The two further argued that making such moves could in turn results in cost restructuring and other one off that negatively affect the project's finances within a short duration but would position them better for the future.

2.3.2 Capital Structure Decisions

Capital structure in this case is referred to as the proportion of sources of finances which range from equity financing, debt financing to grant finance in an organization (Mburung'a, 2018). According to Miller (2002) as cited by Mburung'a, (2018) capital structures differ across organizations from non-profiting organizations to profit making institutions and is a very crucial driver of performance of any organization. To this concern, most empirical studies have argued that there is no such concept as the correct structure of capital (Healy & Wahlen, 1999).

What most of them have agreed to is maintaining a healthy capital structures serves a crucial role in enhancing financial sustainability. This is based on the ground that an optimal capital structure in financing decisions plays a critical role in enhancing short term and long term objectives of a project. This practice has proven to being a serious and hard challenge for most not for profit sectors because of the placed limitation of assets capacity by the funding organizations (McLaughlin, 2000). Most community projects have a limited asset base thus restricting debt financing. This is attributable to the fact that they are not operating as legal bodies as is the case of limited companies. To this conclusion, the main source of funding to funded agricultural projects remains to be donor aid, government funding and community support.

2.3.3 Stakeholders' Involvement and Participation

A significant concern such as sustainability needs involvement and commitment from a larger spectrum of potential stakeholders. This results in encouragement to local government leaders and project implementing agencies to ensure involvement of various stakeholders in order to attain the desired level of sustainability. (Lincoln Institute of Land Policy, 2017).

Stakeholder involvement is defined as the process of creating and maintaining mutual interactive and participatory approach with all parties to a project (Arnstein 1969). A stakeholder on the other side is defined as individuals having interest, regardless of nature and they could be individuals or organizations actively involved in the project or not actively involved.

2.3.4 Quality of Financial Reporting

Ensuring quality in reporting financial data is critical in implementation of projects. Majority of project activities involve receipt, commitment and management of funds. According to UNDP

Project Financial Management Procedures report manual, an accounting system should records, processes and organizes this data in order to produce useful financial information in form of, financial reports. Withdrawal applications, financial Statements among others are needed by the project financiers as well as the project implementation Unit (PIU) management. The selection of a project accounting system is crucial and this should ensure considerations to the project's needs and the design. This helps in providing quality financial information in the form as required by all interested parties (PIU, funding agencies and local government, beneficiaries among others). It should also fulfil all the legal and regulatory requirements in place.

2.4   Empirical Literature Review

Covered herein is an extensive survey of published literature of the various concepts that are at the heart of the study and their relationship with dependable variable (sustainability).

2.4.1   Financial Management Strategies and Sustainability of Funded Agro-Projects

There have been several studies and observations on the financial challenges faced by donor funded projects from various researchers and scholars. Financial management strategies have generally been weak and have always been a challenge to most donor funded projects (Rothlauf, 2011). Agricultural funded projects, like any other Non-Governmental Organizations have ongoing need to put in place sound strategies that will assist them in managing and expanding themselves in a way related to their mission, vision, values and culture (Samour, 2012).

 Financial Management in most Agricultural funded projects has been understood to mainly involve making sure that required funds are obtained as and when the time of need arises and that they are accessible and most efficiently utilized in ways that benefit the organization (Bromideh,

2011). This limitation of financial management scope in donor funded projects has resulted in lots of negative experiences in the implementation process (Bromideh, 2011). From a practical point of view of many organizations, financial management is linked with appropriate financial planning and internal control and continuous review of the organization's resources (Sharma, 2000). Development projects funded by donors usually are complicated and need a multifaceted technical skills (Weinberg, 2008).

Positive results from the financial management strategies and their application greatly rely on the following key resources: Staffs that have expertise, Strong internal controls and a financially enabling environment with income diversification (Annabel, 2012). In conclusion, financial management practices requirement can inflict a significant burden on NGOs (Sharma, 2000). It therefore crucial to manage the movement of cash flows in relation to the allocated budget for the project.

2.4.2   Capital Structure Decisions and Financial Sustainability of Funded Agro-projects

Capital structure in this case is referred to as the proportion of sources of finances which range from equity financing, debt financing to grant finance in an organization (Mburung'a, 2018). As established, there are significant institutional features that influence capital choices and decisions by organization. These range from organization size, level of profitability, asset composition, tax shield benefits, risk profile and dividend policy among others (Frank and Goval, 2009). Financial decision making is an important component of project reporting. Project financial managers usually have to make choices on the optimum level of capital and their respective sources that would sustain the efficient operations within an organization (Mburung'a, 2018).

Correlation that exist between sustainability and capital structure has been a focus for many studies (Antwi et al., 2012). Throughout, studies have put more efforts in investigating optimal capital structure and relevance of debt, equity and grants' proportion of usage to the value of an organization (Hatfield, Davidson and Cheng 1994). The three further argued that capital decisions have a correlation with the value of a firm and therefore likely to have an influence on the various forms of organization and projects undertakings. A study in 1995 by McConnel and Servaes found out that ownership structures and financial policies vary across organizations with many of these organizations being those that had few positive NPV projects.

Institution therefore should effort to maximize value through appropriate financial decision making even though there exist quite a number of conflicting empirical findings on the relationship between a firm value and capital structure (Harris and Raviv, 1991). It is recommended that organizations to always assess the incremental benefit of every source of capital and the associated costs. As shown by the study sources of financing do impact either positively or negatively to the value of an organization.

2.4.3   Stakeholder Involvement and Financial Sustainability of Funded Agro-projects

Democracy cornerstone is in the involvement and participation of stakeholders in project implementation process (Arnstein, 1969). Community involvement is important in enhancing sustainability of local based projects. This is because most locals and their leadership are capable of coming up with required capacities in transforming these community based projects beyond support (Shayne et al., 2000). Stakeholder involvement is therefore a means through which local sufficiency is enhanced and dependency on external support reduced (Comwall, 2008).

Application of this concept is mostly at different levels and stages of project execution and is usually in different forms Arnstein, (1969).

The various forms of beneficial participation as outlined by Arnstein, (1969) range from informatory, consultative, functional, interactive to self-mobilization being at the top of the engagement ladder. Self-mobilization occurs when stakeholders take charge of actions and this create a great feel of independence and ownership. Both interactive and functional involve achieving what has been agreed upon by decision makers. Educating stakeholders of their responsibilities and rights should always be the first important move towards a legitimate involvement. However, in most occasions this is not given much effort and if at all done, then often effort is put on a one-way (Arnstein, 1969). Welcoming stakeholders' opinions, like information, is a move towards their full participation. Consultation process should be combined together with other alternative modes of participation in order to achieve expected results. This will ensure and provide assurance that their interest and concerns are put into consideration. Often used methods in consultation include neighborhood meetings, public speaking and hearings and lastly survey of attitude (Arnstein, 1969).

Stakeholders' participation just like partnership requires a strong community-base within to which the agency leaders can be put to accountability. (Okafor, 2005) studies and discolsed that when stakeholders greatly participate in their local endeavors, community empowerment with improved efficiency results. Local participation is found to improve sustainability of projects, and in addition better results and greater accountability is achieved in delivery of service (Keura and Moronge 2016). Most of these studies have directly written down and they advocate for communities not to be viewed as beneficiaries of the projects targeting reduction of poverty instead they should be viewed as valuable partners in development.

2.4.4　Financial Reporting Quality and Sustainability of Funded Agro-projects

IASB defines quality in financial reporting as capability of financial reports to disclose both qualitative and quantitative information in a faithful and objective manner that is useful and capable of aiding economic decision by the report users. Never the less, the adoption of this qualitative approach and quality management systems in financial reporting is still an emerging, evolving and challenging issue for farmers, and policy-makers in agricultural sector and this implies that viability of future strategic actions is question (Echobu et al., 2017). There is an emerging need for farming sector to explore the use of evolving technologies both in their reporting processes and farm processes to help in meeting the varying and evolving quality needs of users. (Nturibi, 2004). From a theoretical approach, the need for quality reports by users is found to have positive results which include to a greater the extent the effect of enhancing reliability of information to intended users.

A sustainable approach in enhancing quality in reporting should at minimum aim at addressing the social and environmental impacts both at community and organization levels. (Beest et al., 2009). The duo further argued that, enhancing sustainability would involve collecting relevant information that is used in measuring environmental, social impacts helps organizations in improving their natural resource management and operational efficiency. This approach should be cost effective at all levels and meet the above bear minimums in reporting. In achieving this objective of cost reduction, financial reports should not have a narrow scope, but should report in terms of the wider scope addressing dynamic nature of the environmental, social and economic aspects as appealed by sustainable reporting (Beest et al., 2009).

2.5   Conceptual Framework

Given herein is a systematic illustration of the study model as articulated in the theoretical and empirical literature review. It provides a link between research variables i.e. dependent variable and independent variables.

Independent variable

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Quality of Financial Reporting
    ➢ Fundamental qualities
    Faithful representation and Relevance
    ➢ Enhancing qualities
    ➢ Comparability, Understandability
    and Timeliness
```

Control Variable   **Dependent variable**

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Stakeholder Involvement and Participation            Financial Sustainability
    ➢ Presence of self-mobilization                   Net Financial Liabilities to
    ➢ Interactive participation                       Operating Revenue Ratio
    ➢ Functional participation
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Financial Management Strategy
    ➢ Financial management practices
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Figure 2: 1. Conceptual framework

2.6   Knowledge Gap

Table 2.1, summarizes findings of studies reviewed and gaps that this study seeks to fill.

Table 2:1 Literature Review Summary

Variables	Author(s)	Topic	Outcomes	Knowledge Gap	Focus of current study
Financial Institutions and Sustainable Agriculture	Emmanuel Olatunbosun Benjamin, (2015).	Financial Institutions and trends in Sustainable Agriculture in Sub-Saharan Africa	Adequate level of sustainable financing to farmers improves rural agricultural performance	The study did not focus on possible effect of enhancing quality in reporting of financial data on sustainability. of the various sectors for their unique features not examined	Seeks to explore how quality in financial reporting impacts on sustainability of funded agricultural projects.
Participation Diversification Education Income level and Governance	Lungo M. P, Mavole, J, Martin, O (2017).	Project Sustainability determinants beyond support in Mansa Diocese, Zambia	They find diversification, education, governance, community participation and income affecting of project sustainability.	The study did not focus on possible effect of enhancing quality in reporting of financial data on sustainability.	Seeks to explore how quality in financial reporting impacts on sustainability of funded agricultural projects.s.
sz	Frillness Isdory Temba, (2015).	Impact of stakeholder participation on sustainability of donor funded projects.	The found that stakeholders' involvement in various in community projects enhance sustainability.	The study did not explore how stakeholder participation influenced sustainability. The study is specific to Tanga in Tanzania.	Seeks to explore how quality in financial reporting impacts on sustainability of funded agricultural projects.s.
Drivers of sustainability.	Eliud Ombui Keura and Dr. Makori Moronge (2016)	Drivers of stainability : A case study of food security donor projects in Kenya	Study concluded that, stakeholder participation employment type and management practices greatly influence sustainability food security donor funded projects	There is need to focus on the impact of usage of project financial systems rather than the usage levels. There is also a need to consider the sectoral approach to this matter.	Seeks to explore how quality in financial reporting impacts on sustainability of funded agricultural projects..

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This part highlights research technique adopted. Which includes research design, targeted population, sample strategy, data collection, diagnostic tests and data analysis and model deemed fit.

3.2 Research Design

A descriptive research design was adopted. This design was deemed the best fit for this study since it guided the discovery of the relationships that exists between and among variables at the heart of the study, describing them and categorizing results. As asserted, such a research design is applied on purpose to find out definitely and be capable of describing characteristics of interest variables in a study (Mugenda & Mugenda, 2003).

3.3 Population

This study targeted all 9 agricultural funded projects in Marsabit County. These projects includes; Green Africa foundation project (GAF), Pastoral Initiative (PISP), Kenya Climate Smart Agriculture Project (KCSAP), AGRA Project, Food for the Hungary International project, Central Institute of Freshwater Aquaculture project (CIFA), World Food Program, Farm Africa funded project and KCB Hydroponic Agriculture Project.

3.4 Sample Strategy

For Secondary data census sampling of all the 9 Agricultural projects was considered. The study explored the use of a Stratified and purposive sampling techniques which was found suitable for

collection of primary data. Funded agricultural projects in the county formed strata from which purposive sampling was used to draw a representative sample. As argued by Mugenda and Mugenda (2003), this sampling method gives a researcher the chance to draw respondents deemed to have the needed data that fits into research objective. This was based on account of the dynamic characteristic of the targeted population in terms of fund allocations, nature, purpose, management policies, number of staff in each project and the surrounding communities.

3.4.1 Sample Size

For secondary data census sampling of all the 9 Agricultural funded projects was done. Primary data was collected through purposive sampling within all the 9 Agricultural funded projects. This was objectively done to ensure the study got the needed information. An on purpose sample of 71 respondents was chosen as supported by the sample matrix on table 3:1 below. This was constituted by a representation of 30% of the targeted population (Okun, 2009).

Table 3:1 Sample Matrix

Funded Projects	No of projects	Target Population	Sampling proportion	Sample size
Green Africa Foundation Project	1	26	30%	9
Central Institute of Freshwater Aquaculture (CIFA) project	1	15	30%	5
Pastoral Initiative Project	1	30	30%	9
Kenya Climate Smart Agriculture Project	1	40	30%	12
Food for the Hungary International (FH) Project	1	22	30%	7
Alliance for a Green Revolution in Africa Project	1	32	30%	10
World Food Programme	1	29	30%	9
Farm Africa Funded Project	1	21	30%	6
KCB Hydroponic Agriculture Project	1	13	30%	4
TOTAL	**9**	**228**	**30%**	**71**

3.5 Data Collection

Qualitative and quantitative data was employed. Raw data was obtained from the various senior project staffs and those with the responsibility of decision making with the use of structured questionnaires (Appendix I). This included project clients, project directors, project managers, team leaders and lastly heads of finance and operations divisions of all projects.

3.5.1 Data Collection Procedure

Once permission for data collection was granted by the University, structured questionnaires were pre-tested on randomly selected respondents out of the selected sample before they were finally administered to the targeted sample to enhance effectiveness and data validity.

All questionnaires were personally administered by the researcher to respondents. A time frame of close to two weeks was set for completion and collection of the questionnaires. The researcher complemented the process by means of telephone calls for checks and further clarifications for questionnaires that were administered through emails. Once completed, the researcher personally collected the filled out questionnaires administered together with those mailed back. Secondary information was obtained from financial reports between 2015-2019. This period was found to have incorporated the operations of all 9 projects.

3.6 Data Validity

To ascertain validity of data, pilot testing of questionnaires was conducted. Formulated questionnaires were tried out on seven staffs this being approximately 10 per cent of the calculated sample size. This included respondents who were not part of the study population.

3.7 Data Reliability

Reliability was assessed through the use of split-half method. Calculation of a reliability coefficient of the results by use of Spearman-Brown formula were carried out. Expectation was a coefficient between 0.7-1 which falls within the recommended range.

3.8 Analysis of Data

Analysis was carried out through inferential and descriptive statistics and was presented using tables, figure and graphical methods. Inferential statistics included correlation and regression analysis while descriptive statistics included means and standard deviations. The use of STATA software Version 421.15.0.588. STATA was preferred because of its systematic configuration, user friendly and presence of a wide range of statistical techniques. The study adopted a two steps regression model. First step was a regression of financial sustainability and quality of financial reporting (FRQ_1) given by:

$$Y = \beta_0 + \beta_1 (FRQ_1) + e \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 1$$

Where Y = Financial sustainability given by average net asset liabilities ratios of the respective projects over a five year period (2015 to 2019). Net asset liabilities ratio was given by the total liabilities less current assets divided by total operating revenue exclusive of the capital items. Calculated values per project were the values used for each respondent from the respective projects. FRQ_1 = Financial reporting quality Financial reporting quality was operationalized and measured by a 5-point rating Likert scores on enhancing and fundamental qualities of financial information: The weighted standardized score on fundamental and enhancing qualities were summed up to give the total scores on financial reporting quality. β_0 = Constant coefficient, β_1 = effect of financial reporting quality on financial sustainability, e = Error Term.

The second step modelled the combined control effect of management strategies and stakeholder participation on association between financial sustainability (FS) and quality of financial reporting (FRQ) model of study given by:

$$\mathbf{Y} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1}\,(\boldsymbol{FRQ_1}) + \boldsymbol{\beta_2}\,\boldsymbol{FMS_2} + \boldsymbol{\beta_3}\,\boldsymbol{SP_3} + \mathbf{e}........................2$$

Above is a multiple regression model expressing financial sustainability as a function of quality of financial reporting, financial management strategies and stakeholder involvement. The purpose was to measure the control effect that the two variables have on the main model of the study. β_0 = Constant coefficient, β_1, β_2, β_3, β_4 = are Beta coefficients. e = Error Term. The additional control variables FMS_2 = Financial management Strategy was quantified by averaging the Likert values for financial management practices per respondent which were then standardized to give standardized scores for regression. SP_3= Stakeholder involvement, was quantified by averaging the Likert scores per respondent. These were also standardized to give standardized scores for regression.

Linearity and normality tests were carried out before regression to ascertain linearity and normal distribution of data. Correlation and Variance Inflation Factor tests of multicollinearity were run that gave correlation and VIF coefficients that were used to declare or rule out presence or absence of multicollinearity of the overall research model. Model's fitness depended on coefficient of (Adjusted-R^2) and F-test.

Results and interpretation were thereafter presented using tables, figures, graphical and mathematical techniques.

3.9   Operationalization of Study Variables

Table 3.2 provides research objectives, respective variables, measurement indicators, measurement scale analytical tool against each objective.

Table 3:2 Operationalization of Variables

Objectives	Independent Variables	Measurement indicators	Measurement scale	Analysis tool
To establish impact of qualitative characteristic of financial reporting on financial sustainability of funded agricultural projects in Marsabit County.	Financial reporting quality	- Average of scores (between relevance and faithful representation). - Average of scores (of comparability, timeliness and understandability) (Beest, et al., 2009).	Interval scale (Likert scale)	Frequencies, Mean, mode, Standard Deviation and Regression
To establish impact of financial management strategy on financial sustainability of funded agricultural projects in Marsabit County.	Financial management strategy	Average of scores on -Working capital management - Easy of capital expenditures - Cash inflows. (Akinyomi, 2015)	Interval scale (Likert scale)	Frequencies, Mean, mode, Standard deviation and Regression
To establish impact of stakeholders' involvement & participation on financial sustainability of funded agricultural projects in Marsabit County.	Stakeholder involvement and participation	Average of scores on -Extent of self-mobilization - Interactive participation - Functional participation (Arnstein, 1969)	Interval scale (Likert scale), Nominal scale	Frequencies, Mean, mode, Standard deviation & Regression
Dependent variable				
Y	Financial sustainability	Net liabilities ratio (Zabolotnyy and Wasilewski, 2019)	Ratio (scale)	Frequencies, Mean, mode, Regression

CHAPTER FOUR: DATA ANALYSIS, RESUTLS AND DISCUSSION

4.1 Introduction

Given here is a detailed analysis, presentation and results' interpretation. The objectives entailed determining impact of qualitative attributes of financial reporting on financial sustainability, investigate the influence of financial management strategy on the relation between quality of financial reporting and financial sustainability lastly determine impact of stakeholders' involvement on reporting quality and financial sustainability relationship of funded agricultural projects.

4.2 Descriptive Statistics of Research Respondents and Projects

This section looks into characteristics of research respondents based on their response rate, age group and gender among others.

4.3 Response Rate

From 71 questionnaires administered to the key management personnel and key users of financial information within all the nine agricultural funded projects in Marsabit County, 65 were correctly answered and returned representing an accomplished response rate of 92% as indicated below in Table 4:1.

Table 4:1 Response Rate

Response category	Number	Response rate
Responded	65	92%
Did not respond	6	8%
Total	**71**	**100%**

Source: Field data, (2020)

4.4   Respondents Demographics

Respondents were enquired of their gender and age group, below were the distribution of results as on figure 4:1 and 4:2.

4.4.1   Respondents Gender Mix

42 of those questioned were males representing 65% while 23 were females indicating 35%. The distribution was as shown in table 4:2 from which figure 4:1 was drawn.

Table 4:2 Gender Distribution

Gender	Number	Rate of distribution
Females	23	35%
Male	42	65%
Total	**65**	**100%**

Source: Field data, (2020)

A greater part of the respondents were male at 65% while females came in at 35%. This was an indication that the top level management and key users of financial reports in this industry is dominated by males. The above distribution is as well demonstrated in Figure 4:1.

Figure 4:1 Gender Distribution
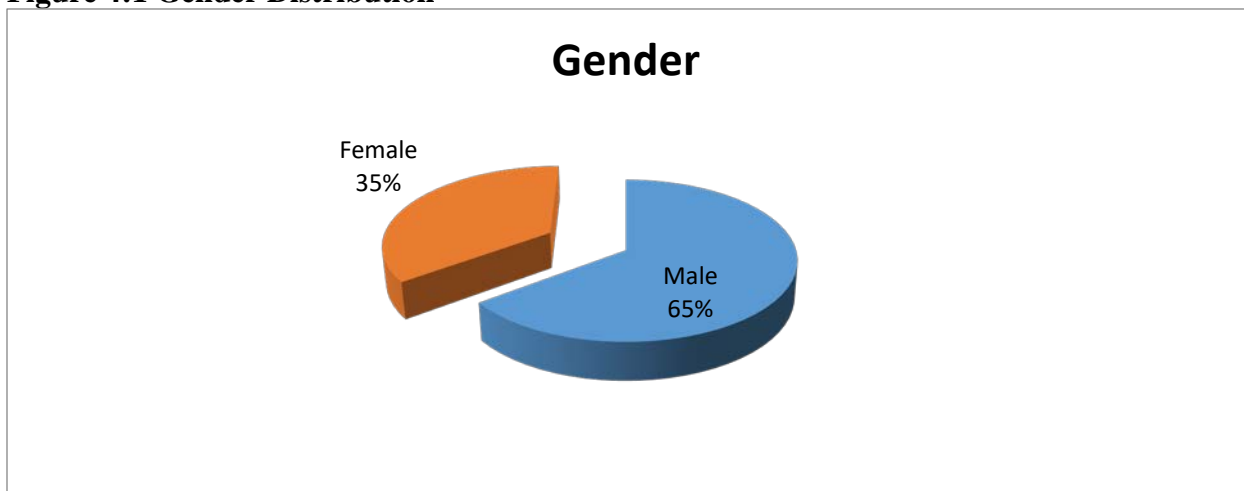
Source: Researcher, (2020)

4.4.2 Age Group of Respondents

Study determined age group of key users of financial reports and the distributions was found as indicated in Table 4:3 from which figure 4:2 was drawn.

Table 4:3 Age Group

Age group categories	Number	Percentages
20-30 years	0	0%
31-40 years	15	23%
41-50 years	21	33%
Above 50 years	29	44%
Total	**65**	**100%**

Source: Field data, (2020)

This distribution shows 44% of the respondents were between 41 and 50 years, followed by those above 50 years at 33% and lastly those in the age group 31 – 40 years came in at 23%. This was an indication that greater portion of respondents are senior level personnel that have experience of the industry requirements with respect to quality of financial reporting. This explanation is as well demonstrated on Figure 4.2.

Figure 4:2 Age Distribution
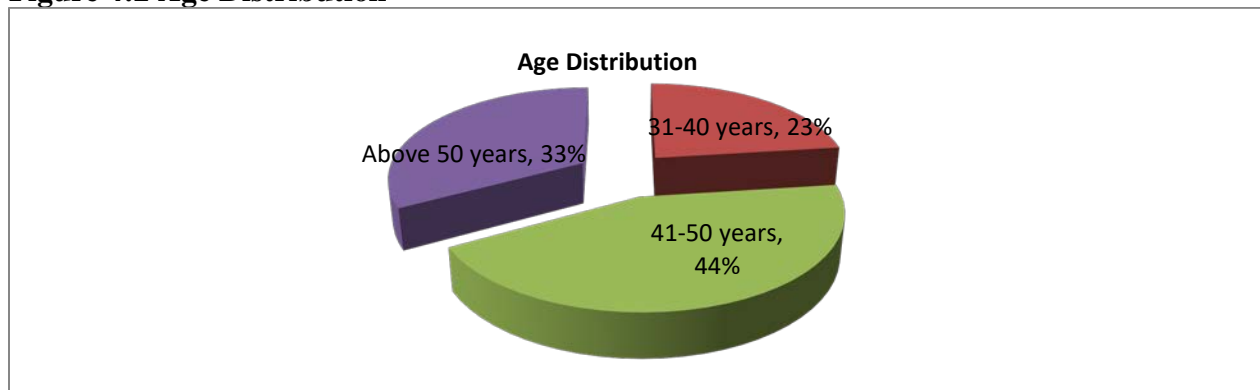
Source: Researcher, (2020)

4.5   Project Demographics

This study aimed at looking into characteristics of project population based on their duration and various sources of funding and results were as follows.

4.5.1   Duration of the Projects

Respondents were asked of the duration of the projects and summary of their responses were as demonstrated on Table 4:4 from which Figure 4:3 is drawn.

Table 4:4 Project Duration

Category	Number	Percentage
1 year	0	0%
1 -5 years	0	0%
6 - 10 years	2	23%
Above 10 years	7	77%
Total	**9**	**100%**

Source: Field data, (2020)

Results in figure 4:4 indicates that out of 9 agricultural funded projects 2 projects representing 23% of the population had a duration of 6 to 10 years and 7 projects representing 77% of the population had a duration of above 10 years. The findings shows that majority of these projects have a long term objective and are future oriented. This explanation is as well demonstrated in figure 4.3 below.

Figure 4: 3 Project Duration
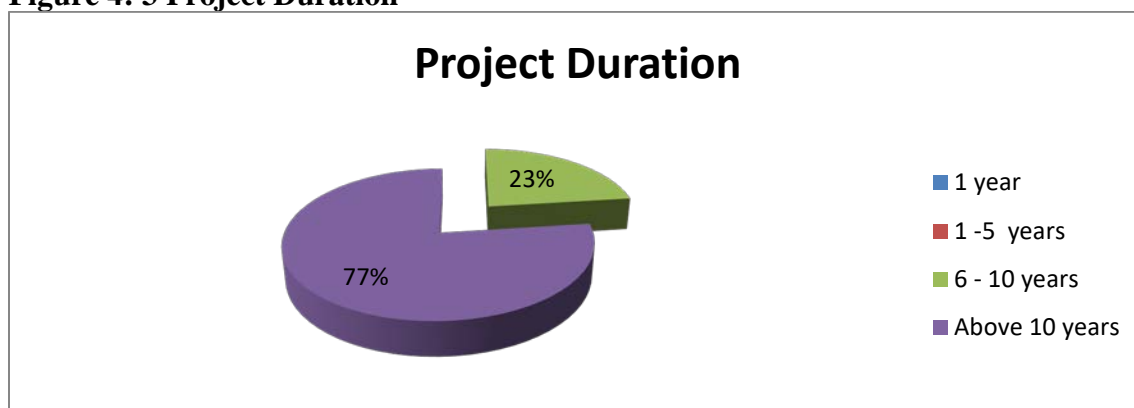
Source: Researcher, (2020)

4.5.2 Source of Funding

This study determined the various funding sources to projects as summarized on Table 4.5 from which figure 4.4 was drawn.

Table 4:5 Sources of Funding

Category	Number	Percentage
Government	1	11%
Self- sustenance	1	11%
Mixed sources	3	34%
Non-Governmental Organizations	4	44%
Total	**9**	**100%**

Source: Field data, (2020)

As disclosed in Table 4.5, 44% of projects received their funding purely from Non-Governmental Organizations, 34% got finances from more than one source, 11% got finances from the government and lastly 11% self-sustenance. This findings indicates that majority of the projects in this industry depended on NGO funding however there has been a wakeup call to have more than one source and therefore mixed source was at 34%. Government contributed 11% and 11% of the projects have attained self-sufficiency. This explanation is as well demonstrated in Figure 4:4.

Figure 4:4 Source of Funding
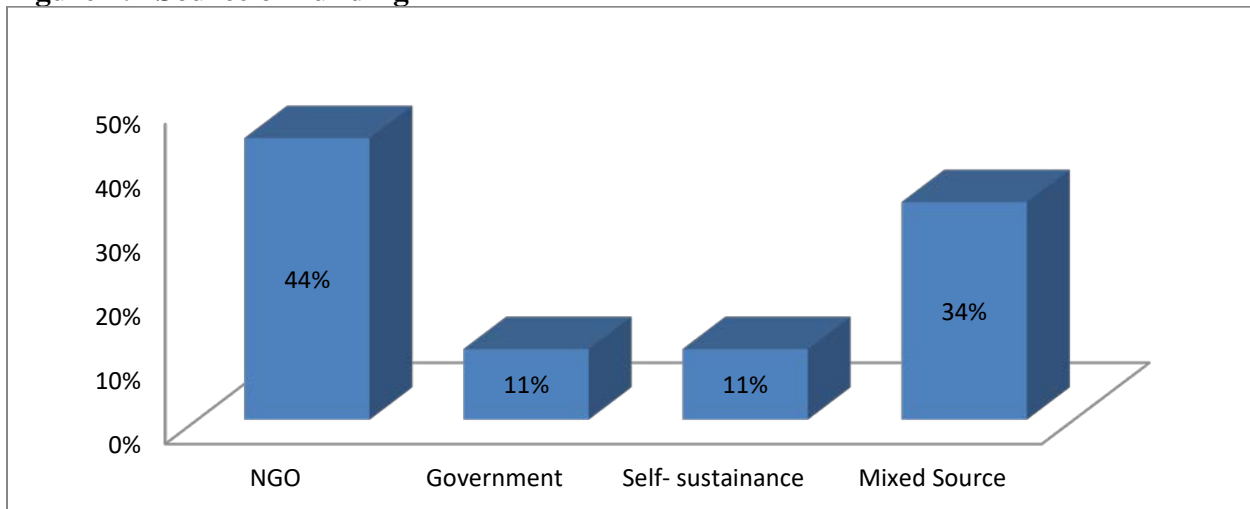
Source: Researcher, (2020)

Table 4:6 Stakeholder Commitment

Category	Frequency	Mean	Percentage
Interactive participation	22 out of 65	0.3384	33%
Self-mobilization	23 out of 65	0.3538	35%
Functional engagement	64 out of 65	0.9846	98%

Source: Field data, (2020)

As disclosed in Table 4:6, more than half indicated functional engagement of stakeholders is present within the various projects as supported by the 98 per cent. This was followed by self-mobilization with a percentage of 35% and lastly interactive participation with a percentage of 33%. It was evident from the results that beneficiaries were highly involved in implementation of these projects due to their agricultural nature and requirement however little of interactive participation was granted.

4.6 Descriptive Statistics of Research Variables

This section gives a descriptive quantitative summary of the data (Appendix II) as collected on research variables.

4.6.1 Quality of Financial Reporting

The study aimed at establishing the impact of qualitative characteristics of financial reporting on financial sustainability of funded agricultural projects. Respondents were required to rate on Likert scale of 1-5 statements in relation to relevance, faithful representation, comparability understandability and timeliness. Table 4:7 gives a summary of results.

Table 4:7. Quality of Financial Reporting

Qualitative characteristics	Question	Observation	Mean	Std. Dev.	Min	Max
Relevance						
	Financial reports provide information that is forward looking information to aid in forming predictions and expectations concerning the future of the project.	65	3.292308	1.195344	1	5
	Financial information generated complement in terms of signaling business risk and opportunities and forming expectations.	65	3.184615	1.261105	1	5
	Financial information generated provide feedback on market and significant events useful in forming expectations	65	3.061538	1.285459	1	5
	Total score on relevance	65	**3.179487**	**1.0444292**	**1.3333**	**5**
Faithful representation						
	Financial reports detail all assumptions made and accounting principles applied in their preparation	65	3.338462	1.107883	1	5
	Financial reports clearly disclose information on governance issues	65	3.153846	0.9719627	1	5

	Financial reports have an independent clean/unqualified auditors report	65	3.953846	1.374213	2	5
	Total score on faithful representation	65	**3.482051**	**0.8660871**	**1.6666**	**4.66**
Comparability						
	Present year financials are comparable to previous years	65	3.4	1.183216	1	5
	This projects financial results are comparable to other similar projects in the industry	65	3.138462	1.102227	1	5
	Financial notes and changes in standards explain clearly the implication of such to decision makers	65	2.923077	1.176697	1	5
	Total score on comparability	65	**3.153846**	**0.911114**	**1.3333**	**4.33**
Understandability						
	Language used in preparation of financial reports is simple and easy to understand	65	3.276923	1.082643	1	5
	Financial reports are well organized	65	3.276923	1.280963	1	5
	Where possible table and graphs are used to clearly demonstrate information	65	3.338462	1.383801	1	5
	Total score on understandability		**3.299744**	**1.108871**	**1.3333**	**4.66**
Timeliness						
Total Score on timeliness	how long it takes to have fully audited and signed reports after year end closing	65	**1.292308**	**0.4583625**	**1**	**2**
	Total score on quality of financial reporting	65	**5.911966**	**1.68674**	**2.72222**	**8.38889**

Source: STATA Analytical Results

Table 4:7 disclosed that greater number of users' highly rated faithful representation of financial reports represented by average of 3.4821 and standard deviation of 0.8661. Relevance of financial information followed the rank with a mean of 3.1795 and standard deviation of 1.0444. Results revealed that timeliness of audited financial reports was lowly rated with the maximum score at 2 and minimum score at 1 implying that it takes longer to have fully audited and signed financial reports reach users for economic or financial decision making. Comparability and understandability were averagely rated.

4.6.2   Financial Sustainability

Table 4:8 Financial Sustainability

Variable	Observation	Mean	Std. Dev.	Min	Max
Financial Sustainability	65	0.4129185	0.1742356	0.1872	0.6822

Source: STATA Analytical Results

Table 4:8 indicates that on average agricultural funded projects in Marsabit County are operating below the 0.6 standard recommended level of sustainability as supported by the mean of 0.4129. Therefore on overage some of these projects' capacity of operating revenues to finance operating net liabilities as and when demanded in long term and short run and is below the required conventional level of 0.6. However, one project was found to be operating within the recommended level as indicated by the maximum average score of 0.6822 and a dispersion from the mean of 0.1742. This implies that it's got the ability and capacity to meet it operating net liabilities as and when they fall due.

This one project represents 11 per cent of the total population an indication that financial sustainability is true a challenge to this sector.

4.6.3 Financial Management Strategy

Study aimed at investigating into impact of financial management strategy on financial sustainability of funded agricultural projects. Respondents' rated statements and the results were as in Table 4.9

Table 4:9.Financial Management Strategy

Statement	Obs	Mean	Std. Dev.	Min	Max
Management continuously monitors working capital	65	2.8000	1.1484	1	5
Cash flows are controlled and maintained	65	3.1384	1.1575	1	5
Project easily replaces obsolete non-current assets	65	3.3385	1.3495	1	5
Future forecast of expenses are often carried out.	65	3.5231	1.4589	1	5
Financial Management Strategy total score	**65**	**3.2**	**1.1501**	**1.25**	**4.75**

Source: STATA Analytical Results

Results on Table 4:9 shows that most respondents agreed to forecast being done by the various projects as supported by the mean of 3.5231. However daily check on working capital was poorly rated at a mean of 2.8. This implies that on average most projects do not carry out a daily cash check while a few others did. On average most projects controlled their cash flows and are able to replace important agricultural non-current assets as and when they became obsolete. The average score on financial management is 3.2 indicating that respondents agreeing to fairly good financial management of the project resources with a standard deviation of 1.1501 supporting that responses were varied and dispersed from the mean.

Since financial management is cycle process that depends on input from one step to another, neglecting or giving little focus on one of the inputs negates the process and thereby becomes a hindrance to having a fairly excellent financial management strategy. A good financial management strategy is greatly dependent on strong internal financial controls put in place and the existence of good systems that help aid adherence to the set procedures and policies.

4.6.4 Stakeholder Involvement and Participation

This study aimed at looking into the impact of stakeholders' involvement and participation on financial sustainability of funded agricultural projects. Respondents' rating were as summarized in Table 4.10

Table 4:10 Stakeholder Involvement and Participation

Stakeholder	Observation	Mean	Std. Dev.	Min	Max
Government	65	3.2923	1.1953	1	5
Beneficiaries	65	3.1846	1.2611	1	5
Local community groups	65	3.0615	1.2855	1	5
Donor /investors	65	4.5846	1.0442	1	5
Total Score	**65**	**5.2115**	**0.9209**	**2.25**	**6.25**

Source: STATA Analytical Results

Results in Table 4:10 indicates donors and investors are highly involved and participate in their respective projects as shown by the mean of 4.5846. This was followed by the government and beneficiaries supported by the mean of 3.2923 and 3.1846 respectively. Local community groups were lowly involved and participated as backed up by the mean of 3.0615. This was an indication that government, beneficiary and local communities' level of involvement and participation was on average.

These results go against the general knowledge and theoretical ideology of having beneficiaries and farmers come first in the ladder of involvement and participation. This is due to the fact that results indicate a high focus and consideration towards investors and donors whose investment or donation is meant to reach and impact onto the beneficiaries. Despite this, on the good side it also shows that there is diversity in stakeholder involvement and participation even though at varying levels.

4.7   Correlation Analysis

This multivariate analysis aims at measuring the direction and strength of the relationship or association that exist between the research variables. This was carried out to guide on ruling the presence or absence of multicollinearity and perfect collinearity within variables. Correlation and VIF (Variance Inflation Factor) tests were conducted. This association was measured and shown by correlation and VIF coefficients as on Correlation Matrix Table 4:11 drawn from STATA analytical output (Appendix IV).

Table 4:11 Correlation Matrix

	FS (Y)	FRQ$_1$	FMS$_2$	SP$_3$
Financial sustainability (**FS (Y)**)	1.0000			
Financial reporting quality (**FRQ$_1$**)	0.8836	1.0000		
Financial management strategy (**FMS$_2$**)	0.8016	0.6687	1.0000	
Stakeholder involvement and participation (**SP$_3$**)	0.1442	-0.1298	0.3448	1.0000
VIF = 2.2700				

Source: STATA Analytical Results

Correlation coefficients on Table 4:11 reveled the direction and weight of relationship between independent variable and dependent variable and extent and direction of correlation between the independent variables themselves. The study found out that financial reporting quality and financial management strategy were strongly and positively correlated with the state of financial sustainability of agricultural funded projects in Marsabit County. Stakeholder participation had a weak positive relation with the state of financial sustainability. It was clear that none of the variables was perfectly correlated with each other and therefore multicolinearity was concluded not to be a problem.

Results further disclosed that the association between financial sustainability and quality of financial reporting and that between financial sustainability and reporting are very close to each

other. This informs that future studies may consider eliminating one of these as the difference can be considered immaterial.

VIF quantified severity of overall multicollinearity and this resulted in a VIF of 2.27. The standard requires a VIF of less than 5 to rule out on the presence of multicollinearity. (Gujarati, 2004). This study therefore further ruled out on existence of perfect multicolinearity within the independent variables as 2.27 is below the standard value of VIF of 5 (Gujarati, 2004).

4.8   Regression Analysis

The study adopted a two steps regression model. First step was a regression of the effect of quality of financial reporting on financial sustainability. This was given by:

$$\mathbf{Y} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1} (\boldsymbol{FRQ_1}) + \mathbf{e} \dots\dots\dots\dots\dots\dots\dots\dots\dots.1$$

Where Y = Financial sustainability, FRQ_1 = Financial reporting quality, β_0 = Constant coefficient, β_1 = the effect of financial reporting quality, e = Error Term.

The second step modelled the combined control effect of financial management strategies and stakeholder involvement and participation on the relationship between financial sustainability (Y) and quality of financial reporting (FRQ)..........given by:

$$\mathbf{Y} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1} (\boldsymbol{FRQ_1}) + \boldsymbol{\beta_2}\, \boldsymbol{FMS_2} + \boldsymbol{\beta_3}\, \boldsymbol{SP_3} + \mathbf{e} \dots\dots\dots\dots.2$$

Table 4:12 Model's Goodness of Fit

	R-squared (R^2)	Adjusted R-squared (R^2)	Standard error
Model 1	0.8223	0.8194	0.42492
Model 2	0.8979	0.8925	0.32781

Source: STATA Analytical Results

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Results in Table 4:12 shows, R^2 of model one is 0.8223 and the adjusted R^2 is 0.8194. Results of the final model 2 (the study's model) indicates $R^2=0.8979$ and the adjusted $R^2=0.8925$. It is therefore concluded that about 82% state of financial sustainability is explained by quality of financial reporting and when financial management strategy and stakeholder involvement and participation are incorporated, 89% state of financial sustainability is predicted by the three predictor variables. 11% is therefore explained by other variables not in the present model. This indicated proper selection of the independent variables and in addition creates room for further studies to determine the other variables that explain 11% of state of financial sustainability of agricultural funded projects either in Marsabit County or in general.

Regression Coefficients

Model 1 regressed financial sustainability against quality of financial reporting and results are summarized on Table 4:13

Table 4:13 Regression Coefficients of Model 1

Financial sustainability	Coefficient	Robust Std. Err.	t-test	P>t	[95% Conf.	Interval]
Financial Reporting Quality	0.4895	0.0287	17.07	0.000	0.4322	0.5468
Constant coefficient	-2.45e-07	0.0527	-0.000	0.000	-0.1053	0.1053
	R^2=0.8194	**P>F =0.000**				

Source: STATA Analytical Results

Key: FRQ = Quality of financial reporting.

From Table 4.13, Financial Sustainability of Funded Agricultural Projects = -2.45e-07 + 0.4895Quality of Financial Reporting**……….….1**

Coefficient of beta (β_1) on equation 1 relating to the first model indicates a positive significant relationship between state of financial sustainability of funded agricultural projects in Marsabit County and quality of financial reporting. The constant coefficient (β_0) is significantly negative

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implying that the absence of quality in reporting negatively impacts on the state of financial sustainability of funded agricultural projects. The values are statistically significant since the P-values are 0.0000 and 0.0000 for (β_0) and (β_1) respectively and are below the standard significance level of 0.05.

In this study, financial reporting quality is not the only explanatory variable as to financial sustainability, the study's aimed to investigate the combined control effect of financial management strategy and stakeholder involvement and participation on financial sustainability and quality of financial reporting association as on equation one. The second stage therefore regresses financial sustainability against the independent variable and control variables and the coefficients are on Table 4.14.

Table 4:14 Regression Coefficients of Model 2

Financial Sustainability (Y)	Coefficient	Std. Err.	T	P>t	95% Conf.	Interval
FRQ	0.4140	0.0350	11.8300	0.0000	0.3441	0.4840
FMS	0.2259	0.0687	3.2900	0.0020	0.0886	0.3633
SP	0.1106	0.0383	2.8900	0.0050	0.0341	0.1871
Constant coefficient	-0.1810	0.0746	-2.4300	0.0180	-0.3303	-0.0318
	R²=0.8925	**P>F =0.0000**				

Source: STATA Analytical Results
Key: FRQ = Quality of financial reporting;   FMS = Financial management strategy; SP = Stakeholder Participation

4.9   Discussions

Based on the results on Table 4:14, Financial Sustainability of Funded Agricultural Projects = -0.1810 + 0.4140Quality of Financial Reporting + 0.2259Financial Management Strategy + 0.1106Stakeholder participation & involvement**…………**2

This is a regression of a standardized continuous dependent variable against standardized ordinal variables into continuous variables. This is consistent with Pasta David's strong case in his paper published in 2009. He suggested and advocates for treatment of ordinal variables as continuous

even in cases where spacing is unequal within the various categories. He further argued that, in as much as we do not know the spacing among the ordinal categories, it is the same way that no one knows with certainty the relationship that exist among continuous variables is linear. According to Pasta, (2009) every first approximation is linear and therefore no violation of norm in treating ordinal variables as continuous. Ordinal variables in most cases are treated as continuous as long as they are assumed to be equally spaced (Long & Freese, 2006).

The regression result indicates, there exist a significant positive association between financial sustainability of funded agricultural projects in Marsabit County and financial reporting quality, financial management strategy and stakeholder involvement and participation as given by the coefficients of 0.4140, 0.2259 and 0.1106 and P-values of 0.0000, 0.0020 and 0.005. This implies that an increase efforts of enhancing quality in reporting financial information, financial management strategies lastly stakeholder involvement and participation positively influence the state of financial sustainability of these funded agricultural projects. The influence of financial reporting quality and financial management strategy and stakeholder involvement and participation were all found to be statistically significant as shown by the level of significance 0.0000, 0.0020 and 0.005 which are below the standard significance level of 0.05.

Holding all other variables constant, financial sustainability is -0.1810. This implies that no project would be financial sustainable and instead have negative impact of unsustainability. Further analysis of the model indicates that, when all the other explanatory variables are brought to zero, a unit improvement in enhancing quality of reporting financial data would result into 0.4140 unit increase in financial sustainability of these funded agricultural projects. A unit improvement in financial management strategies would result into 0.2259 unit increase in financial sustainability of these projects holding the other variables unchanged. Lastly a unit improvement in the extent

of stakeholder involvement and participation would result into 0.1106 unit increase in financial sustainability when all the other factors are held constant.

According to this analysis, it is disclosed that, quality of financial sustainability highly contributes to financial sustainability followed by financial management strategy and lastly stakeholder involvement and participation. The combined control effect of financial management strategy and stakeholder involvement and participation is a decrease in the impact of quality of reporting effect by 0.0755 units. The movement is from 0.4895 in equation 1 to 0.4140 in equation 2.

The results of this research are consistent with a study results by (AL-Shatnawi et al., 2017) who carried out a simple linear regression model on ordinal variables standardized into continuous variables in an attempt to look into the effect of qualitative characteristics of interim financial reports on investment decision making. These results disclosed that fundamental qualitative characteristics greatly and significantly impact on quality of interim reports and in effect greatly influence economic decision making by users. Their study also revealed that enhancing qualitative attributes of interim reports highly and significantly improved on quality and in effect economic decision making.

Results of this research are consistent with results by Wandera and Sang, (2017) whose study linearly analyzed ordinal variables on a simple linear regression model and results disclosed that the effect of financial reporting quality on NGOs sustainability is positive and statistically significant. This study also found that management practices such as budgetary controls, diversification of income and investor relationship had a positive influence on sustainability of NGOs. However, the study did not focus on the quality of reporting as main independent variable.

There is consistency with results by (Al-Dmour et al., 2018) whose study having undertaken a similar approach, results revealed that financial reporting quality had a significantly effect on financial performance. Quality was found greatly relate to size and experience of the respective firms. Lastly these results are also in conformity with (Cohen, 2003) having undertaken a similar approach, evidence asserted that firms with policies on the quality of financial information experienced little asymmetry in information and therefore had high financial performance.

ANOVA

Analysis of variance indicates the fitness of study model and results.

Table 4:15 ANOVA

Source	Sum of Squares	Df	Mean Squares	F	Sig
Model	57.4452	3	19.1484	178.2000	0.0000
Residual	6.5549	61	0.1075		
Total	64.0000	64	1.0000		

Source: STATA Analytical Results

Table 4:15 shows F-value of the final model is 178.2 with a level of significance at 0.0000. Since level of significance is less than 0.05 at 95% confidence level, it is therefore appropriate to conclude the model is statistically fit in explaining the joined effect of quality of financial reporting, financial management strategies and stakeholder involvement and participation are statistically significant in predicting the state of financial sustainability of all agricultural funded projects within the study's target population.

CHAPTER 5: SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

Outlined are outcomes, conclusions and researcher's recommendation derived from study's results to various stakeholders and future researchers. Recommendations are guided by study's objectives.

5.2 Findings

In summary, it is concluded that, there exist a significant positive correlation between dependent variable (Financial sustainability) and all the predictor variables (quality of financial reporting, financial management strategy and Stakeholder involvement and participation).

5.2.1 Effect of Quality of Financial Reporting on Financial Sustainability

The descriptive statistics indicates that, majority of the users of financial reports highly rated faithful representation of financial reports represented by an average of 3.4821 and a standard deviation of 0.8661. Relevance of financial information followed the rank with a mean of 3.1795 and a standard deviation of 1.0444. Descriptive results also revealed that timeliness of audited financial reports was lowly rated with the maximum score at 2 and minimum score at 1 implying that it took longer to have fully audited and signed financial reports reach users for decision making. Comparability and understandability of prepared financial information were averagely rated across the various projects.

Regression outcome indicated a significant positive relationship between financial sustainability and quality of financial reporting.

5.2.2 Effect of Financial Management Strategy on Financial Sustainability

Second objective sought to establish impact of financial management strategy on financial sustainability of funded agricultural projects in Marsabit County. Regression outcome indicated a significant positive relation between financial management strategies and financial sustainability. This implied, an improvement in financial management strategies within the various funded projects would yield a significant positive effect on the state of financial sustainability. Descriptive statistics indicated that, most of the projects carried out forecast were as supported by the mean of 3.5231. However daily check on working capital was poorly done at a mean of 2.8. This implied that on average most projects did not carry out a daily cash check while a few others did. On average most projects controlled their cash flows and were able to replace non-current assets when they became obsolete. The average score on financial management was 3.2 indicating most respondents agreeing to fairly good financial management of the project resources with a standard deviation of 1.1501.

5.2.3 Impact of Stakeholder involvement and Participation on Financial Sustainability

The study's third objective aimed at determining the impact of stakeholders' involvement on financial sustainability of funded agricultural projects. Regression outcome indicated that stakeholder involvement and participation had a significant positive relationship with financial sustainability.

Descriptive statistics indicated that donors and investors were highly involved and participated in their respective projects as supported by the mean of 4.5846. This was followed by the government and beneficiaries supported by the mean of 3.2923 and 3.1846 respectively. Local community groups were lowly involved and participated as backed up by the mean of 3.0615. This was an

indication that government, beneficiary and local communities' level of involvement and participation was on average.

As to commitment, descriptive statistics indicated that functional engagement of stakeholders was present within the various projects as supported by the mean of 0.9846. Self-mobilization followed with a mean of 0.3538 and lastly interactive participation with a mean of 0.3384. It was evident from the results that beneficiaries were highly involved in implementation of these projects due to their agricultural nature and requirement however little of interactive participation was granted.

5.3 Conclusions

Funded agricultural projects was the focus of this research work using Marsabit County as the case of reference. This was informed by the fact that even though agriculture contributes greatly in enhancing GDP directly and indirectly through various linkages, financial sustainability potential and capacity of this sector has been an historical and a current concern with little attention given to the contributory effect of quality of financial reporting in improving economic decision making and enhancing the overall market efficiency.

On the basis of the outcome, it is therefore agreed that, financial reporting quality, financial management strategy and stakeholder involvement and participation have a positive significant contributory effect on the state of financial sustainability of agricultural funded projects. Therefore taking a qualitative approach in reporting that incorporates faithful representation, relevance of information enhanced with under stability, comparability and timeliness are significant to financial sustainability.

5.4   Recommendations

Founded on the outcome of this research, it is recommended that funded agricultural projects ought to take a qualitative approach in reporting that incorporates faithful representation, relevance in terms of providing information that is forward looking, information that addresses business opportunities and risks, information that complements in terms of providing feedback on how certain significant transactions and market events affect the operations of the projects in order to improve financial sustainability of these projects. Enhancing qualitative qualities such us comparability, understandability and timeliness should also been considered.   It is also recommended that financial management activities such as management of daily cash flows, monthly forecasting should be incorporated and adhered to help keep cash movements and requirements on check within the various funded projects.

5.5   Limitations of the Study

Due to time constrain and other resources, the following are the limitation of this study which creates room for further research and improvement.

a.   The study employed both qualitative and quantitative techniques however, it greatly explored quantitative techniques.

b.   The study was limited to Marsabit County which comprised of 9 agricultural funded projects and purely focus on the agricultural sector.

c.   This study was limited to 30% of the target population using purposive sampling technique.

5.6   Suggestions for Future Studies

This research focused on looking into effect of quality of financial reporting on financial sustainability of funded agricultural projects, case study of Marsabit County. Comparable research work can be undertaken within the same sector incorporating more variables to help identify other explanatory variables that influence financial sustainability. An intensive study may be undertaken covering a wider regional scope and various projects. Scope of the study. Future studies can choose to explore qualitative techniques. A larger sample size can also be considered.

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APPENDICES

APPENDIX I: QUESTIONNAIRE ON EFFECT OF FINANCIAL REPORTING QUALITY ON FINANCIAL SUSTAINABILITY OF FUNDED AGRICULTURAL PROJECTS: A CASE STUDY OF MARSABIT COUNTY

SECTION ONE: PROJECT INFORMATION

1. What is the name of the project you are involved in?

   _____

2 Please tick on your gender?

   ☐ Female

   ☐ Male

3 Please appropriately tick on your age group?

   ☐ 20 -30

   ☐ 31-40

   ☐ 41-50

   ☐ Above 50 years

4 Please indicate the main source of funding to referenced project?

   ○ Below 1 year

   ○ 1-5

   ○ 6-10

   ○ Above 10

5 What are the major sources of income for this project?

   ○ Non-Governmental funding

   ○ Government funding

   ○ Self-sustenance (Specify)……………………………………………………………………

   ○ Specify if others……………………………………………………………………………..

SECTION TWO: FACTORS AFFECTING FINANCIAL SUSTAINABILITY

A) Financial reporting quality

1. Which of these accounting processes are computerized?

		Computerized	Not computerized
a)	Financial and Accounting process		
b)	Record management		
c)	Communication		
d)	Administration		

2. Rate the following statements in relation to **relevance** of financial information within the period 2015 to 2019 on a scale of 1 to 5. (1=Very poor rate, 2=Poor rate, 3=Fair Rate, 4=Good rate and 5 =Excellent rate)

	Statements	1	2	3	4	5
a)	Financial reports provide forward looking information that aid in forming predictions and expectations concerning the future of the project.					
b)	Financial information generated complement by signaling business risk and opportunities and forming expectations.					
c)	Financial information generated provide feedback on market and significant events useful in forming expectations.					

3. Rate the following statements in relation to **faithful representation** of financial information within the period 2015 to 2019 on a scale of 1 to 5. (1=Very poor rate, 2=Poor rate, 3=Fair Rate, 4=Good rate and 5 =Excellent rate)

	Statements	1	2	3	4	5
a)	Financial reports detail all assumptions made and accounting principles applied in their preparation					
b)	Financial reports clearly disclose information on governance issues					
c)	Financial reports have an independent clean/unqualified auditors report					

4. Rate the following statements in relation to **comparability** of financial information within the period 2015 to 2019 on a scale of 1 to 5. (1=Very poor, 2=Poor, 3=Fair, 4=Good and 5 =Excellent)

	Statements	1	2	3	4	5
a)	Present year financials are comparable to previous years					
b)	This projects financial results are comparable to other similar projects in the industry					
c)	Financial notes clearly explain their implications to users for decision making.					

5. Rate the following statements in relation to **understandability** of financial information within the period 2015 to 2019 on a scale of 1 to 5. (1=Very poor, 2=Poor, 3=Fair, 4=Good and 5 =Excellent)

	Statements	1	2	3	4	5
a)	Language used in preparation of financial reports is simple and easy to understand					
b)	Financial reports are well organized					
c)	Where possible table and graphs are used to clearly demonstrate information					

6. Please indicate how long **(timeliness)** it takes to have fully audited and signed reports after year end?

    …………………………………………………………………………………………….

B) Financial Management Strategies

Rate the following statements in relation to financial management within the period 2015 to 2019 on a scale of 1 to 5. (1=Very poor, 2=Poor, 3=Fair, 4=Good and 5 =Excellent)

	Statements	1	2	3	4	5
a)	Management continuously checks on and maintains working capital					
b)	Cash flows are controlled and maintained					
c)	The project replaces non-current assets when they become obsolete with ease					
d)	Future forecast of expenses are often carried out.					

C) Stakeholder involvement and participation

1. Which of the following stakeholders are closely involved in the execution of this project? Please tick (✔) as appropriate.

	Stakeholders	
a)	Government	
b)	Beneficiaries	
c)	Local community groups	
d)	Donor/investors	

2. Rate the level of stakeholders' involvement and participation in this particular project? Kindly rate as follows; l = Not involved at all, 2 = very low, 3 = low, 4 = moderate, 5 = highly

		1	2	3	4	5
a)	Government					
b)	Beneficiaries					
c)	Local community groups					
d)	Donor/investors					

3. With regards to the extent of stakeholder commitment in this project, please indicate if the following statements are true or false; Please tick (✔) as appropriate.

	Statements	TRUE	FALSE
a)	Stakeholders of this project take actions which make them have a strong feel of independence and ownership (self-mobilization)		
b)	Stakeholders are involve in common goals which give them a strong feel of ownership (interactive participation)		
c)	Stakeholders are involved in key actions agreed upon by key decision makers (functional engagement)		

Please give any suggestions you would have towards improving financial sustainability of funded agricultural projects in Kenya?

……

YOUR TIME AND RESPONSE IS GREATLY APPRECIATED

APPENDIX II: RAW DATA

Respondent	Q1.1	Q1.2	Q1.3	Q1.4	Q1.5	Q2.1	Q.2(a)	Q.2(b)	Q.2(c)	Q.3(a)	Q.3(b)	Q.3(c)	Q.4(a)	Q.4(b)	Q.4(c)	Q.5(a)	Q.5(b)	Q.5(c)	Q2.6	QB.1(a)	QB.1(b)	QB.1(c)	QB.1(d)	QC.1	QC.2(a)	QC.2(b)	QC.2(c)	QC.2(d)	QC.2	QC.3(a)	QC.3(b)	QC.3(c)	Financial Sustainability
1	WFP	Male	2	3	Mixed	all (a,b, c & d)	5	5	5	5	4	5	5	5	3	5	3	5	2	5	4	5	5	1234	1	5	5	5	4	2	2	2	0.6822
2	WFP	Male	2	3	Mixed	all (a,b, c & d)	5	5	4	4	5	5	5	3	5	4	5	2	4	4	5	5	5	1234	2	4	5	5	4	2	2	2	0.6822
5	WFP	Female	2	3	Mixed	all (a,b, c & d)	5	5	4	5	4	5	3	5	4	5	5	2	4	4	5	5	5	1234	2	3	5	5	3.75	2	2	2	0.6822
6	WFP	Male	2	3	Mixed	all (a,b, c & d)	4	4	5	3	5	5	5	3	4	3	5	5	2	4	5	5	5	1234	1	5	5	5	4	2	2	2	0.6822
7	WFP	Female	2	3	Mixed	all (a,b, c & d)	4	5	4	4	3	4	3	5	3	5	5	2	4	5	5	5	5	1234	1	4	5	5	3.75	2	2	2	0.6822
9	WFP	Male	2	3	Mixed	all (a,b, c & d)	5	5	3	5	3	5	4	3	5	4	4	5	2	4	5	5	5	1234	1	4	5	5	3.75	2	2	2	0.6822
3	WFP	Male	2	3	Mixed	all (a,b, c & d)	4	5	3	5	4	5	4	3	5	4	5	5	2	4	5	5	5	1234	1	5	5	5	4	2	2	2	0.6822
4	WFP	Male	2	3	Mixed	all (a,b, c & d)	4	4	4	4	4	4	3	4	5	4	5	5	2	4	4	5	5	1234	2	4	5	5	4	2	2	2	0.6822
8	WFP	Female	2	3	Mixed	all (a,b, c & d)	5	4	3	5	4	3	3	4	5	4	5	5	2	4	5	5	5	1234	2	4	5	5	4	2	2	2	0.6822
10	AGRA	Male	2	4	Mixed	all (a,b, c & d)	4	5	5	4	5	4	4	4	5	4	4	2	3	4	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
11	AGRA	Male	2	4	Mixed	all (a,b, c & d)	5	4	5	4	5	5	4	5	3	4	5	2	3	4	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
19	AGRA	Male	3	4	Mixed	all (a,b, c & d)	3	5	5	4	4	5	5	3	4	3	5	2	3	4	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
14	AGRA	Female	2	4	Mixed	all (a,b, c & d)	3	4	5	5	3	5	4	4	3	4	5	2	3	4	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
15	AGRA	Male	2	4	Mixed	all (a,b, c & d)	3	4	5	4	4	5	5	4	2	4	5	5	2	3	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
16	AGRA	Male	3	4	Mixed	all (a,b, c & d)	3	4	5	3	4	4	4	3	4	4	5	5	2	3	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
13	AGRA	Male	2	4	Mixed	all (a,b, c & d)	4	4	5	4	4	4	4	3	4	5	5	4	2	3	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
12	AGRA	Male	2	4	Mixed	all (a,b, c & d)	4	3	4	4	5	5	4	2	4	4	5	2	3	4	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
17	AGRA	Female	3	4	Mixed	all (a,b, c & d)	3	5	3	4	3	5	4	4	3	3	2	3	2	3	4	4	5	1234	4	4	5	5	4.5	2	2	2	0.6235
18	AGRA	Male	3	4	Mixed	all (a,b, c & d)	4	4	3	3	3	5	5	2	4	5	2	3	2	4	4	5	5	1234	4	4	5	5	4.5	2	2	2	0.6235
20	CIFA	Male	3	4	Mixed	all (a,b, c & d)	5	4	4	5	3	5	3	4	4	4	4	1	3	5	5	4	4	1234	3	4	4	5	4	2	2	2	0.4971
21	CIFA	Female	3	4	Mixed	all (a,b, c & d)	5	5	3	4	4	5	3	4	4	5	3	1	4	5	4	4	5	1234	3	3	4	5	3.75	2	2	2	0.4971
22	CIFA	Female	3	4	Mixed	all (a,b, c & d)	4	4	5	5	3	4	4	3	4	4	3	1	5	5	4	5	5	1234	3	3	4	5	3.75	2	2	2	0.4971
23	CIFA	Male	3	4	Mixed	all (a,b, c & d)	3	4	3	3	2	5	4	4	2	4	3	4	1	3	4	5	5	1234	2	3	5	5	3.75	2	1	2	0.4971
24	CIFA	Male	3	4	Mixed	all (a,b, c & d)	4	4	2	3	2	5	3	3	3	5	3	2	1	2	3	4	5	1234	2	3	4	5	3.5	2	1	2	0.4971
29	FH	Female	3	4	NGO	all (a,b, c & d)	4	4	5	3	4	5	4	3	5	5	4	4	1	1	2	2	3	1234	4	5	5	5	4.75	2	1	2	0.4112
30	FH	Female	3	4	NGO	all (a,b, c & d)	4	5	4	4	3	5	5	4	3	4	4	5	1	5	4	3	5	1234	4	5	5	4	4.5	2	1	1	0.4112
31	FH	Male	3	4	NGO	all (a,b, c & d)	5	5	3	4	3	5	4	4	4	5	5	1	4	5	5	5	5	1234	5	5	5	5	5	1	1	2	0.4112
32	FH	Male	3	4	NGO	all (a,b, c & d)	3	3	4	4	3	5	4	4	4	3	4	1	5	4	4	5	5	1234	5	5	5	5	5	1	1	2	0.4112
33	FH	Male	3	4	NGO	all (a,b, c & d)	4	4	2	3	2	5	3	5	3	4	4	3	4	4	5	4	5	1234	3	4	4	5	4	1	1	2	0.4112
34	FH	Male	3	4	NGO	all (a,b, c & d)	5	3	3	2	5	5	3	4	3	4	3	1	3	2	2	3	4	1234	1	3	5	5	3.5	1	1	2	0.4112
35	FH	Male	3	4	NGO	all (a,b, c & d)	5	2	3	3	2	5	4	3	4	4	3	4	1	3	4	5	5	1234	5	5	5	5	5	1	1	2	0.4112
36	GAF	Male	3	4	NGO	all (a,b, c & d)	3	4	5	3	4	5	4	5	3	4	5	1	2	2	1	2	1234	1	5	1	1	2	1	1	2	0.3106
37	GAF	Male	3	4	NGO	all (a,b, c & d)	4	4	4	3	4	5	4	4	4	5	4	4	1	2	1	2	1234	1	5	1	1	2	1	1	2	0.3106
38	GAF	Male	3	4	NGO	all (a,b, c & d)	4	3	5	5	4	5	4	4	5	5	1	1	1	2	1	2	1234	1	5	1	1	2	1	1	2	0.3106
39	GAF	Male	3	4	NGO	all (a,b, c & d)	3	3	3	3	4	5	3	4	4	3	4	5	1	1	2	1	2	1234	1	5	1	1	2	1	1	2	0.3106
40	GAF	Male	3	4	NGO	all (a,b, c & d)	3	3	3	4	2	5	4	4	4	4	1	2	1	2	2	1234	1	5	1	2	2.25	1	1	2	0.3106
41	GAF	Male	3	4	NGO	all (a,b, c & d)	3	3	3	3	5	3	5	2	3	3	1	1	5	3	1234	1	5	5	5	3	1	1	2	0.3106
42	GAF	Female	3	4	NGO	all (a,b, c & d)	3	2	3	2	4	3	5	3	2	2	4	3	1	1	2	3	1234	1	5	5	5	4	1	1	2	0.3106
43	GAF	Male	3	4	NGO	all (a,b, c & d)	3	3	2	2	5	4	3	2	3	4	1	5	4	3	5	1234	4	4	5	4	4.5	1	1	2	0.3106
44	FA	Male	3	4	NGO	all (a,b, c & d)	3	2	3	3	3	5	4	3	2	3	2	1	4	3	4	2	1234	4	4	5	5	4.5	1	1	2	0.3099
45	FA	Female	4	4	NGO	all (a,b, c & d)	5	2	1	3	3	5	3	3	2	2	3	1	2	3	3	4	1234	4	5	3	5	4.25	1	1	2	0.3099
46	FA	Male	4	4	NGO	all (a,b, c & d)	4	2	2	3	4	3	2	3	2	3	2	1	3	2	4	2	1234	4	5	4	5	4.5	1	1	2	0.3099
47	FA	Male	4	4	NGO	all (a,b, c & d)	3	3	2	2	3	5	2	3	4	2	3	2	1	4	2	3	1234	4	5	3	5	4.25	1	1	2	0.3099
48	FA	Male	4	4	NGO	all (a,b, c & d)	3	2	2	3	3	3	2	3	2	2	4	3	1	4	4	3	1234	4	5	3	5	4.25	1	1	2	0.3099
49	FA	Male	4	4	NGO	all (a,b, c & d)	4	1	2	2	3	5	2	3	2	3	2	1	2	3	2	4	1234	4	5	3	5	4.25	1	1	2	0.3099
50	KeCS	Female	4	3	GoV	all (a,b, c & d)	2	2	3	5	3	2	3	2	3	3	1	3	4	3	3	1234	3	4	5	5	4.25	1	1	2	0.2993
51	KeCS	Male	4	3	GoV	all (a,b, c & d)	3	3	1	5	3	2	3	2	2	3	2	1	2	3	4	3	1234	4	5	3	5	4.25	1	1	2	0.2993
52	KeCS	Female	4	3	GoV	all (a,b, c & d)	2	2	3	3	5	2	2	4	2	3	3	2	1	1	1	2	1	1234	3	5	5	5	4.5	1	1	2	0.2993
53	KeCS	Male	4	3	GoV	all (a,b, c & d)	2	2	3	4	3	2	4	2	3	2	1	1	2	1	2	1234	5	5	5	5	4.5	1	1	2	0.2993
54	KeCS	Female	4	3	GoV	all (a,b, c & d)	2	2	3	3	4	2	3	2	3	3	2	1	1	2	1	2	1234	5	5	3	5	4.5	1	1	2	0.2993
55	KeCS	Male	4	3	GoV	all (a,b, c & d)	2	1	3	3	2	2	2	3	2	3	1	1	1	2	1	2	1234	5	5	5	5	4.5	1	1	2	0.2993
56	KeCS	Male	4	3	GoV	all (a,b, c & d)	3	1	2	2	2	2	3	2	1	2	3	2	2	2	1234	5	5	3	4	4.25	1	1	2	0.2993
57	KeCS	Male	4	3	GoV	all (a,b, c & d)	2	3	1	2	3	2	2	2	3	2	1	1	2	2	2	2	1234	5	5	3	5	4.5	1	1	2	0.2993
58	PI	Male	4	4	NGO	all (a,b, c & d)	2	2	2	3	2	2	3	1	2	2	1	3	2	3	3	1234	3	5	5	4	4.25	1	1	2	0.2017
59	PI	Male	4	4	NGO	all (a,b, c & d)	2	3	1	3	3	2	4	1	1	3	1	2	1	2	3	3	1234	3	5	5	4	4.25	1	1	2	0.2017
60	PI	Male	4	4	NGO	all (a,b, c & d)	3	2	1	3	3	2	3	1	2	2	1	2	3	3	3	1234	2	5	5	4	4	1	1	2	0.2017
61	PI	Female	4	4	NGO	all (a,b, c & d)	2	2	2	2	3	2	2	2	3	1	1	3	3	3	1234	2	5	5	4	4	1	1	2	0.2017
62	PI	Male	4	4	NGO	all (a,b, c & d)	1	2	2	2	3	2	2	2	1	3	1	2	1	2	3	3	1234	3	5	5	4	4.25	1	1	2	0.2017
63	PI	Male	4	4	NGO	all (a,b, c & d)	1	2	2	3	2	2	1	2	1	2	1	2	3	3	2	1234	4	5	5	4	4.25	1	1	2	0.2017
64	PI	Female	4	4	NGO	all (a,b, c & d)	1	2	2	4	1	2	2	1	2	2	1	2	2	3	3	3	1234	2	5	2	5	3.5	1	1	2	0.2017
65	PI	Male	4	4	NGO	all (a,b, c & d)	2	2	1	2	1	2	2	3	2	2	2	2	1234	3	5	3	4	3.75	1	1	2	0.2017
25	KCB HAP	Male	3	4	Self	all (a,b, c & d)	2	1	2	1	2	2	1	1	1	2	1	2	3	3	3	1234	3	5	5	5	4.5	1	1	2	0.1872
26	KCB HAP	Male	3	4	Self	all (a,b, c & d)	2	2	2	1	2	2	2	2	1	1	2	3	3	1	1234	3	4	5	5	4.25	1	1	2	0.1872
27	KCB HAP	Female	3	4	Self	all (a,b, c & d)	1	1	2	1	2	1	2	1	1	2	1	3	1	1234	4	5	5	5	4.75	1	1	2	0.1872
28	KCB HAP	Male	3	4	Self	all (a,b, c & d)	1	2	1	1	2	2	2	1	1	2	1	1	2	3	2	2	1234	4	5	5	5	4.75	1	1	2	0.1872

APPENDIX III: Overview of the Measures used to Operationalize Factors Affecting Financial Sustainability (including the measurement scales)

Question no.	Question	Operationalization	Literature
	Relevance		
FRQ2(a)	Financial reports provide forward looking information that aid in forming predictions and expectations concerning the future of the project.	1 = Lack of information that is forward-looking 2 = Information that is forward-looking not given as an apart of subsections 3 = Information that is forward-looking given as an apart of subsections 4 = Ability of information to give future predictions 5 = Ability of information to give extensive future predictions crucial in forming expectation	McDaniel *et al.*, 2002 & Beest et al., 2009
FRQ2(b)	Financial information generated complement by signaling business risk and opportunities and forming expectations.	1 = Lack of non-financial data 2 = Limited financial data. 3 = Useful financial data provided 4 = significant financial and non-financial data, useful in forming future expectations 5 = Presentation of additional data useful in forming future expectations.	
FRQ2(c)	Information generated provide feedback on market and significant events useful in forming expectations.	1 = Lack of feedback 2 = Limited feedback 3 = Significant feedback provided 4 = Significant feedback provided aid understandability of transactions and events that affect the firm. 5 = Complete and detailed feedback	
	Faithful Representation		
FRQ3(a)	Financial reports detail all assumptions made and accounting principles applied in their preparation	1 = Only described assumptions and principles 2 = General assumptions and principles 3 = Specific assumptions and principles 4 = Specific described assumptions and principles detailed. 5 = Comprehensive	McDaniel *et al.*, 2002 & Beest et al., 2009
FRQ3(b)	Financial reports clearly disclose information on governance issues	1 = Lack of CG disclosures 2 = Limited CG disclosures 3 = CG disclosures as a subsection 4 = Enough required disclosures 5 = Comprehensive disclosures	
FRQ3(c)	Financial reports have an independent clean/unqualified auditors report	1 = Adverse 2 = Disclaimer 3 = Qualified	

		4 = Unqualified 5 = Unqualified on reports and internal controls	
	Comparability		
FRQ4(a)	Present year financials are comparable to prior years	1 = Lack of comparability 2 = Comparability with prior year only 3 = Comparability with prior 2 years only 4 = Comparability with prior 4 years only 5 = Comparability with prior 5 years only	McDaniel *et al.*, 2002 & Beest et al., 2009
FRQ4(b)	This projects financial results are comparable to other similar projects in the industry	1 = Lack of comparability 2 = Comparability with prior year only 3 = Comparability with prior 2 years only 4 = Comparability with prior 4 years only 5 = Comparability with prior 5 years only	
FRQ3(c)	Financial notes and changes in standards explain clearly the implication of such to decision makers	1 = Lack of notes and changes as subsections to reports 2 = Limited notes and changes as subsections to reports 3 = Adequate notes and changes as subsections to reports with explanations 4 = Adequate notes and changes as subsections to reports with explanations and implications 5 = Comprehensive notes and changes with implications	
	Understandability		
FRQ4(a)	Language used in preparation of financial reports is simple and easy to understand	1 = Complex language 2 = Complex language with limited explanations 3 = Complex language with adequate explanation 4 = Well articulated and explained 5 = Simple and easy tounderstand	Jonas and Blanchet, 2000
FRQ4(b)	Financial reports are well organized	Decision depended on: - completeness of table of contents - Appropriate headlines - orderliness of each section - Conclusions after each section	
FRQ4(c)	Where possible table and graphs are used to clearly demonstrate information	1 = Lack of graphs and tables 2 = one to two graphs and tables 3 = Three to five graphs and tables 4 = Six to ten graphs and tables 5 = Greater than ten graphs and tables	
	Timeliness		
FRQ5	how long it takes to have fully audited and signed reports after closing a reporting period	Number of days' natural log 1 = 1-1.9999 2 = 2-2.9999 3 = 3-3.9999 4 = 4-4.9999 5 = 5-5.9999	Beest et al., & e.g IASB, 2008

	B) Financial Management Strategies		
FMS1 (a)	Management continuously checks on and maintains working capital	1 = no cash budget 2 = annual cash budget 3 = Semiannual cash budget 4 = Quarterly cash budget 5 = Monthly cash budget	
FMS1 (b)	Cash flows are controlled and maintained	1 = No approval 2 = One approver 3 = Presence of co-approvers 4 = Co-approvers not in line with the budget 5 = Co-approvers in line with the budget	
FMS1 (c)	The project replaces non-current assets when they become obsolete with ease	1 = No replacement 2 = Replacement but with significant difficulties and not convenient 3 = Replacement with less significant difficulties and not convenient 4 = Replacement with no significant difficulties and not convenient 5 = Immediate replacement convenient	
FMS1 (d)	Future forecast of expenses are often carried out.	1 = no forecast 2 = annual forecast 3 = Semiannual forecast 4 = Quarterly forecast 5 = Monthly forecast	
	C) Stakeholder involvement and participation		
	Rate of involvement and participation	1 = Lack of involvement 2 = Limited involvement 3 = Adequate 4 = Recommended 5 = Comprehensive	
S3(a)	Stakeholders of this project take actions which make them have a strong feel of independence and ownership (self-mobilization)	1Yes = Presence of self-mobilization 0 False = Absence of self-mobilization	
S3(b)	Stakeholders are involve in common goals which give them a strong feel of ownership (interactive participation)	1 Yes = Presence of interactive participation 0 False = Absence of interactive participation	
S3(c)	Stakeholders are involved in key actions agreed upon by key decision makers (functional engagement)	1Yes = Presence of functional engagement 0 False = Absence of functional engagement	

APPENDIX IV: STATA ANALYTICAL RESULTS

```
  ___  ____  ____  ____  ____ (R)
 /__    /   ____/   /   ____/
___/   /   /___/   /   /___/   15.0      Copyright 1985-2017 StataCorp LLC
  Statistics/Data Analysis              StataCorp
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                                        800-STATA-PC        http://www.stata.com
                                        979-696-4600        stata@stata.com
                                        979-696-4601 (fax)


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Notes:
      1.  Unicode is supported; see help unicode_advice.
      2.  Maximum number of variables is set to 5000; see help set_maxvar.
      3.  New update available; type -update all-
```

```
. correlate FS FRQ FMS SP
(obs=65)


             |      FS      FRQ      FMS       SP
-------------+------------------------------------
          FS |  1.0000
         FRQ |  0.8836   1.0000
         FMS |  0.8016   0.6687   1.0000
          SP |  0.1442  -0.1298   0.3448   1.0000
```

63

```
. regress FS Financialreportingquality
```

Source	SS	df	MS		Number of obs	=	65
					F(1, 63)	=	291.45
Model	52.6248099	1	52.6248099		Prob > F	=	0.0000
Residual	11.3752251	63	.180559128		R-squared	=	0.8223
					Adj R-squared	=	0.8194
Total	64.000035	64	1.00000055		Root MSE	=	.42492

FS	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
Financialreportingqual~y	.4895059	.0286729	17.07	0.000	.4322076	.5468042
_cons	-2.45e-07	.0527051	-0.00	1.000	-.1053231	.1053226

```
. regress FS Financialreportingquality FinancialManagementPractices StakeholderInvolvementP
> articipa
```

Source	SS	df	MS		Number of obs	=	65
					F(3, 61)	=	178.20
Model	57.445158	3	19.148386		Prob > F	=	0.0000
Residual	6.55487699	61	.107457		R-squared	=	0.8976
					Adj R-squared	=	0.8925
Total	64.000035	64	1.00000055		Root MSE	=	.32781

FS	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
Financialreportingqual~y	.4140398	.0349899	11.83	0.000	.3440733	.4840064
FinancialManagementPra~s	.2259216	.0686841	3.29	0.002	.0885793	.3632639
StakeholderInvolvement~a	.1106472	.0382581	2.89	0.005	.0341453	.1871491
_cons	-.1810267	.0746395	-2.43	0.018	-.3302776	-.0317757

```
. estat vif
```

Variable	VIF	1/VIF
FinancialM~s	2.81	0.355912
Financialr~y	2.50	0.399646
Stakeholde~a	1.51	0.663803
Mean VIF	2.27	

```
. estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
        Ho: Constant variance
        Variables: fitted values of FS

        chi2(1)      =      3.62
        Prob > chi2  =   0.0571


. estat vce

Covariance matrix of coefficients of regress model

        e(V) │  Fina~ality  Financia~s  Stakehol~a       _cons
─────────────┼──────────────────────────────────────────────────
Financialr~y │   .00122429
FinancialM~s │  -.00185541     .0047175
Stakeholde~a │   .00066476   -.00150734    .00146368
       _cons │   -.0010876    .00246611   -.00239469    .00557106



. regress Standardisedvalues Financialreportingquality QB1 QC3

      Source │       SS           df       MS      Number of obs   =        65
─────────────┼──────────────────────────────────      F(3, 61)      =    584.88
       Model │  61.8498448         3   20.6166149     Prob > F        =    0.0000
    Residual │  2.15019023        61    .03524902     R-squared       =    0.9664
─────────────┼──────────────────────────────────      Adj R-squared   =    0.9648
       Total │  64.000035         64   1.00000055     Root MSE        =    .18775


─────────────────────────┬────────────────────────────────────────────────────────────────
    Standardisedvalues   │      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
─────────────────────────┼────────────────────────────────────────────────────────────────
Financialreportingqual~y │    .2092752   .0214765    9.74   0.000     .1663303    .2522201
                     QB1 │     .137166    .030849    4.45   0.000     .0754797    .1988524
                     QC3 │    1.723888   .1405405   12.27   0.000      1.44286    2.004916
                   _cons │   -1.402541   .0998397  -14.05   0.000    -1.602183   -1.202899
─────────────────────────┴────────────────────────────────────────────────────────────────

. summarize QC2a QC2b QC2c QC2d QC2

    Variable │       Obs        Mean    Std. Dev.      Min        Max
─────────────┼─────────────────────────────────────────────────────
        QC2a │        65           3    1.322876        1          5
        QC2b │        65    4.476923    .6871065        3          5
        QC2c │        65         4.2     1.28938        1          5
        QC2d │        65    4.584615    1.044215        1          5
         QC2 │        65    5.211538    .9209272     2.25       6.25
```

65