BUDGETARY CONTROLS ON FINANCIAL PERFORMANCE OF PARASTATALS IN KENYA; A CASE OF NATIONAL HEALTH INSURANCE FUND.

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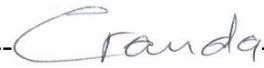
An Applied Research Proposal Submitted To Partial Fulfilment of The Requirement For The Award of Master of Business Administration Degree In The Business Administration Degree In The Business School Of Africa Nazarene University

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DECLARATION

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I declare that the research is my original work and has not been presented for a degree in any other University

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DEDICATION

This project is dedicated to my whole family.

ACKNOWLEDGMENT

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ABSTRACT

Effective budgetary control measures are crucial for enhancing the performance of parastatals by promoting financial disciplines, ensuring efficient resource utilization, and supporting strategic decisions. The aim of the study was to determine the effect of budgetary controls on financial performance of parastatals in Kenya. The study was guided by three specific objectives i.e., to establish the effect of budget planning on financial performance of parastatals in Kenya; to determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya; and to establish the effect of budget review on financial performance of parastatals in Kenya. This researcher focused on all parastatals in Kenya. The study was guided by three theories that informed the study variables; Theory of Financial Control, Stewardship Theory and Theory of Budgeting. The researcher adopted descriptive research design which was effective for in-depth investigation. The study target population was 2,000 employees based at the headquarter of the National Hospital Insurance Fund. The researcher was administered Yamane formula to arrive at a sample size of 333. The researcher administered stratified sampling technique. Data collection was primary and the researcher administered research questionnaires. Data was analyzed using SPSS version 25. Data was presented using chart, graphs and tables. The study findings showed that a total of 215 questionnaires were filled and returned for analysis out of 233. The findings showed that 60% of the respondents were male while 40% of the respondents were female. The study also found that R^2=0.469 shows that there is a positive relationship between budget planning on financial performance; with an R^2= 0.351 shows that there is a positive relationship between budget monitoring and evaluation on financial performance; and finally, R^2= 0.415 shows that there is a positive relationship between budget review and financial performance. The study was recommended to both to policy and policy maker with aim of enhancing budgetary control measures which has long term benefit on the performance of parastatals in Kenya.

LIST OF ABBREVIATION

ARR: Average Rate of Return

EBIT: Earnings Before Interest

IBP: International Budget Partnership

ICT: Information Communication Technology

IRR: Internal Rate of Return

M&E: Monitoring and Evaluation

NHIF: National Health Insurance Fund

NPV: Net Present Value

NSE: Nairobi Stock Exchange

PBP: Payback Period

PLS: Partial Least Square

ROE: Return on Equity

ROI: Return on Investment

ROS: Return on Sales

SMEs: Small Medium Enterprises

DEFINITION OF TERMS

Budget planning: In the study, it of the process of setting financial goals, allocating resources, and estimating income and expenses for a specific period, typically a fiscal year, with the aim of achieving organizational objectives.

Budget monitoring and evaluation: It will involve tracking actual financial performance against planned targets, assessing variances, identifying deviations, and analyzing the reasons behind them.

Budget review: It refers to systematic examination and assessment of the budgetary process, including its assumptions, effectiveness, efficiency, and relevance, to inform decision making and improve future budgetary practices.

Financial Performance: It will constitute to the process of planning, implementing and monitoring financial activities within an organization based on predetermined budgets. It constitute to the need for comparing actual financial performance against budgeted figures and taking corrective actions when necessary to achieve financial goals.

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Budgetary control plays a crucial role in influencing the financial performance of parastatals in Kenya, as they do in any organization. Parastatals are government-owned enterprises tasked with delivering specific services or conducting commercial activities on behalf of the government. The study consists of background of the study, statement of the problem, purpose of the study, objectives of the study, research hypotheses, and significance of the study, scope of the study, limitation of the study, delimitation of the study, research assumptions, theoretical framework and conceptual framework.

1.2 Background of The Study

Managing the performance of most institutions has been a complex task due to the changing organizational environment. However, most managers realize the importance of addressing the organization's performance through budgetary controls for short and long-term success. The provision of services is limited by the lack of valuable insights and trends necessary in driving the performance of most institutions (Chidinma, 2022). Budgeting makes achieving the project in any institution easier if they are within the set objectives and goals. What is more, budgeting assists in controlling the daily operations of any business in a country (Shiroya, *et al.*, 2019). The approach makes specific project goals are achieved within a short period using the available resources. Setting the budgets makes it possible to outline current and future resources to ensure they are synchronized with organizational goals. Generally, the components of the budget frameworks include budget planning, budget controls, budget reviews, and implementation of the budgets. According to Otieno (2019), budgetary control measures involve continuous planning processes

that offer information on the actual expected results compared to the planned budgets in any organization. Budgetary control plays a vital role in institutions through the establishment of effective management control. In addition, budgets are essential in monitoring, planning, and controlling the finances availed for any project (Otieno, 2019). It helps provide an estimation of the expenditures and the income of a company for a specific period. The analyses provided in the budget enable most parastatals to align with the economic environments leading to the overall success of the companies.

Globally, several projects have stalled due to inadequate controls that goes in managing funds channelled towards development projects. For instance, Ali, *et al. (*2020) indicated that in the period between 2013 and 2014 the government of United Kingdom lost 100 million Euros on a cancelled Information technology projects (Augustine, 2022). The failures directly translate to the loss of huge amounts of money by the government and the failure was associated to inefficient planning, cost variation, stakeholder conflicts and improper internal control. Budgetary participation, control and task ambiguity has direct effects on the performance of a particular project, in most cases negatively. However, in situations where combined interaction of variables the effect may be different (Dombashov, 2023).

In China, Qi, Qian, Meijer and Visscher (2019) assert that the government was committed to supporting energy saving projects. However, these projects were marred with failures. These failures occur at construction phase of the projects. The authors argued that, despite the numerous failures of the projects, the identification, impacts and causes of the failures were unknown. The actions of project actors were therefore identified as the main factor of project failure. Inaccurate designs, inefficient departmental cooperation and incomplete construction sites surveys were

identified as possible causes of project failure. Quality control is critical for successful projects completion.

Regionally, the Nigerian government lamented over several stalled projects that resulted in loss of huge sums of money. The project failure causes were: inefficient planning, lack of proper internal and majorly corruption, thus reduced rate of development (Karima, et al., (2021). Appleford (2006) asserts that monitoring mechanisms must be instituted to enhance projects success. The internal control in an organisation must ensure that the entity utilizes the funds as per budget. The activities of the entity must meet the set objectives, within the set period. On the other hand, Egypt in known for its huge development projects such as irrigation projects to aid in the growing population and stabilize food security in the country, solar projects and growing rail manufacturing. However, according to Lohrke, *et al*. (2022) the government of Egypt was considering abandoning the second phase of its 90 billion dollars Toska new Valley project. Despite the project incurring high costs, it did not achieve its intended purpose. The project was reported to have failed at meeting any set targets with higher cost incurred.

It‘s important to ensure that line items in a budget coincide with chart of account line items so that expenses can easily be tagged to the budget. Mohamud, (2023) further notes that, institutions or organizations are commonly expected to generate financial reports to various interested parties including the board of directors, appointed auditors and donors. Musiimenta, (2019) explains that budget scope determines the operational activities of an entity. The necessary budgetary controls must then be formulated and adhered to by the project actors. This aids in the decision-making process by the project managers. Underperforming activities must be redesigned or done away with, to ease funds to feasible activities. Government agencies must carry out projects within the

set budgets. Hence, budgetary control is important as it ensures the coordination of government projects, and their implementation (Njue, 2022).

In Tanzania. Nyirenda (2019) explain that lack of budgetary control and moral hazard is a cause of project failure. He asserts that public projects have political interests. Therefore, the role of the politicians and that of the public must be balanced. The managers of the public projects must work for the good of the public. There exists a principal gent relationship between the political class and the project managers. While the political class is responsible for the laws, funds and project approvals, the managers of the project must ensure that the project is delivered in time and at reasonable costs. Political control can thus be devastating to project completion. There is thus need to spell out clearly the role of the country‘s leadership and that of management in project planning and execution.

Makoba and Mbuti, (2023) conducted a study of budgetary controls on private secondary schools' financial performance in Arusha City, Tanzania. The study investigated about the effect of budgetary control on private secondary schools' financial performance in Arusha city, Tanzania. The study used the quantitative approach under the descriptive correlational design. Seventy participants from nine schools participated through a questionnaire. Data was treated through descriptive statistics and regression analysis. Based the findings, the study concluded that the budgetary process is effective since there is a clear budgeting policy and every stakeholder is included in the budget planning. The budget control measures are effective since departments work within approved budget, the schools review budget regularly and they operate within the approved budget. However, the schools' financial performance is poor since the schools cannot afford to cover operating costs and salaries are not paid on time. Budgetary control significantly affects financial performance in a positive way. Based on the conclusions, the study recommends that the

schools should maintain the current budgetary practices. Budget control measures need to be maintained for schools to perform financially. Finally, school administrators need to avoid unnecessary spending and stick to the approved budget to afford handling operating costs.

In Kenya there are numerous government projects including housing projects, agricultural projects, ICT, water projects and education projects. Consequently, Kenya is currently categorized as one of the leading construction hubs in Sub Saharan Africa. Current shows that the projects undertaken by the Kenyan government will help boost growth of the country‘s construction industry by 8.7% from 2017 and it‘s expected to remain steady till 2026. Many organizations have implemented the budgeting as a control system on the utilization of the resources in the organization, which is the formation of the prior, during the processes and after the completion of the processes through the budget planning, budget implementation and budget evaluation and control. It is recognized that there is a relationship between budgeting and managerial performance in an organization, which shows that there is a positive and negative effect of budgeting on the managerial performance in organization. It is then prudent for budgeting processes to be managed and controlled in order to have a positive effect on the managerial performance of the organization (Felicio, Samagaio, & Rodrigues, 2021). Thus, there is need to involve the managers through the planning, implementation and evaluation of budgeting so as to positively affect the performance of the managers; however, other changes in the organization have relatively affected the performance of the managers in the organization (Odero, 2019).

1.2.1 Budgetary Controls

Budgets provide a foresight for future expenditure in terms of how and where the allocated funds will be spent. Additionally, budgets also set limits; it can be quite chaotic in a government or in an organization if everyone was allowed to spend as much as they wished on whatever they wanted. Consequently, budgets create assurance that the most important need of a country are met first and

less important needs are deferred until there are sufficient fund in which to pay for them. Wulandari, *et al* (2021) highlights that the management of an organisation can use budgetary control to improve overall firm performance. Budgeting and controls consist of distinct pattern of decisions in an organization. Budgeting aids in the determination of objectives and the establishment of plan and policies. The inability to identify a problem hinders the successful implementation and control process. Many institutions focus on narrow alternatives to budget controls. This creates a problem in management of projects at advanced stages. (Simons, 2019).

1.2.1.1 Budget Planning

Budgets provide a foresight for future expenditure in terms of how and where the allocated funds will be spent. Additionally, budget planning also set limits; it can be quite chaotic in a government or in an organization if everyone was allowed to spend as much as they wished on whatever they wanted. Consequently, budgets create assurance that the most important need of a country are met first and less important needs are deferred until there are sufficient fund in which to pay for them. Shaturaev, (2022) highlights that the management of an organisation can use budgetary control to improve overall firm performance. Budgeting and controls consist of distinct pattern of decisions in an organization. Budgeting aids in the determination of objectives and the establishment of plan and policies. The inability to identify a problem hinders the successful implementation and control process. Many institutions focus on narrow alternatives to budget planning. This creates a problem in management of projects at advanced stages. (Rahim, 2023).

1.2.1.2 Budget Monitoring and Evaluation

Where M& E is taken as performance accountability function for project managers the responsibility involves allocation of resources and finding value for those resources especially those allocated for monitoring and evaluation, (Mwangi, Nyang'wara&Kulet,2015). Besides

development of monitoring and evaluation plans, it would not be meaningful, effective and efficient if the required resources needed to transform its achievement into concrete and practical results are not available (Parker, 2020). According to a report by IFAD (2019) allocation of financial resources to monitoring and evaluation involves budgetary planning, management and control of the same resources to achieve desired results. More so involving those tasked with M & E function in the budgeting process increases the chances of ownership (Olaniyan, & Efuntade, 2020). Equally important, when M & E staff or focal points are part of the budgeting process and understands the investment put into M & E, they are likely to work towards ensuring that M & E system is effective. Though, this is desirable, many organization budgeting and planning process is top down (Mbogo, *et al.*, 2021). The meaningfulness and usability of monitoring and evaluation information has been limited because of its disconnection from strategic and organizational level decision making including finances and budgetary decisions (Kavuyah 2020). Moreover, monitoring and evaluation budgets are a mystery; there is rarely a dedicated organizational-level budget line item for monitoring, evaluation. Because of the limited or no allocation of resources for monitoring and evaluation, there are few processes, systems, and opportunities for learning from and about monitoring and evaluation. This limits the ability of organization to make sense of project monitoring and evaluation information /findings and to translate them into action and results including assessing how projects are performing (Machida, & Oshika, 2021)

1.2.1.3 Budget Review

The budgeting process lets an organization plan and prepare its budgets for a set period. It involves reviewing past budgets, identifying and forecasting revenue for the coming period, and assigning amounts to spend on a company's various costs (Bogsnes, 2023). When done well, the process involves input from senior management, your finance team, and budget managers across

the organization. Waititu Njeje and Kirimi (2019) assert that the budget reviews on management of financial resources requires skills. The failure to manage and review finances could lead to dire consequences for any entity. Kanyinga (2021) contended that similarly, the ability to understand the political bargaining process around the budget and to check whether individual policy makers kept the commitments they entered into during this process is an important condition for holding policy makers personally accountable in elections. Citizens can also participate in public finance management through various forms of social accountability, such as social audits, Public expenditure tracking surveys and citizen report cards among others to monitor the social impact of public spending. It‘s only through such active participation that governments will be compelled to put in place systems to monitor budget implementation on a real time basis.

1.2.2 Financial Performance

Performance is a measurement of how effective an organization can utilize its assets to create more revenues. The measure is important when creating sustainable organizations because it evaluates the financial strength and the profitability of the company within the market. The approaches used to measure financial performance include sales growth, returns on equity, return on investment, returns on sales and earnings before and after taxation objectives (Lohrke, *et al*., 2022). The financial performance of an organization will depend on how it utilizes its budgetary control measures. In parastatals, budgeting is important in keeping the internal operations of the companies sustainable because it ensures the organizations have continuous cash flows to run activities (Shabbir & Wisdom, 2020). Budgetary controls are essential in any organization because they assist in profit maximization through appropriate coordination and planning of the various organizational functions when getting the information required for budgeting. Profit maximization is also achieved through controlling the revenue and capital expenditures and using the resources within the institutions for maximum benefit (Kyere & Ausloos, 2021). Coordination between the

subordinates and the managers makes it possible to have an appropriate budgeting process when they all work towards specific objectives (Korir, 2022).Further, the objective constitute annual growth rate of NHIF's revenue, focusing on the effectiveness of budgetary control measures in enhancing revenue collection and management. This includes member contributions, government subsidies, and other income sources. As a result, the comparison between the targets, the actual budgets, and the deviations from the budgets can be easily determined to improve organizational performance. Understanding the deviations from the budgets identifies the weak areas enabling organizations to focus on the aspects where performance evaluations are not done.

1.2.3 Budgetary Controls and Financial Performance

According to Karimi, and Makokha, (2021), budgets are contradictory and they restrain the responsiveness of an organization. In addition, researchers say that budgets often concentrate on reducing the overall cost without considering adding value (Bril, *et al.*, 2020). Budgets do not add value because of the time used to prepare them and the overall impact on the firm. Additionally, budgets encourage perverse behaviors, and they enforce departmental barriers rather than knowledge sharing because the departments usually feel monitored and controlled when they expose their information for budgeting.

The budgeting process is also faced with the problem of guesswork. The budgets can be inaccurate measures of performance when the business environment is undergoing rapid changes and when the organization has a shorter product life cycle (Alade, *et al.*, 2020).Moreover, Jermias, Fu, Fu, and Chen, (2023) noted that the budgeting process mostly leads to conflict between the subordinates and managers because they want to utilize their staff to the maximum point. In contrast, the associates work towards making budget numbers to be easily attainable. As a result, the budgetary control process faces many challenges when the communication between the

managers and subordinates is not good and when the information is not shared among the departments freely.

Financial performance can be measured using total earnings or profitability, growth index or the efficiency of the company. Some of the measures of profitability include Return on investment (ROI), earnings before interest or taxes (EBIT) and gross profit margins. In terms of growth, financial performance will be measured through market share growth and the sales growth in the market. In terms of efficiency, measures such as return on sales (ROS) and returns on equity (ROE) .are used objectives (Wadood, *et al.,* 2021). The measures are used in formulating good financial policies that maintain the operations within an organization effective. Abdi, (2023) noted that budgetary control measures ensures fiscal discipline by setting financial targets and monitoring adherence. By defining revenue and expenditures limits, organizations can avoid overspending and ensures that resources are used efficiently. This control helps in minimizing waste and preventing financial mismanagement, leading to improved profitability and sustainability. Meanwhile Poudel, (2023) clearly highlighted that budgetary control measures improves resource allocation. By analyzing variances between actual and budgeted performance management can identify areas where resources are underutilized or overextended. This analysis enables the reallocation of resources to more productive areas, optimizing operational efficiency and enhancing overall financial perofmance.

1.2.4 Parastatals in Kenya

Parastatals are established in Kenya in accordance with Section 3 of the State Corporation Act. In addition, the establishment of parastatals in Kenya is governed by cap 446 or a parliamentary act. Kenya is home to 263 state corporations spanning all significant sectors (Olaniyan, & Efuntade, 2020). The majority of them have been experiencing financial difficulties and government-related

problems that necessitate the budgetary control systems intervention. Although parastatals are now active in every sector of the Kenyan economy, their original purpose was agriculture (Jayalakshmi, *et al* 2023). According to the International Budget Partnership (IBP), most of the parastatals in Kenya were considered to be facing financial problems. As a result, devolving the parastatals that had similar functions as those within the counties was proposed as a solution. In addition, the IBP contributed funded the development of the parastatals (Kimeo & Achuora, 2020). Budgetary controls are important in such parastatals to make sure the funds are used to the allocated purpose. The saving achieved from the process of budgeting would lead to massive economic benefit such as creation of sustainable enterprises within the country (Shanak & Abu-Alhaija, 2023).

1.3 Statement of The Problem

Parastatals usually consider budgetary controls and budgets to be influential in policymaking. The success of the institutions depends on appropriate budget preparation and having good fiscal rules (Davoodi, *et al.,* 2022). Parastatals usually prepare budgets, but the extent of preparation and formulation vary with the institution. In addition, formal budgets are different in their purpose and nature. The failure of most institutions is attributed to weak budgeting processes and a lack of coordination between the managers and subordinates. Parastatals, or state-owned enterprises play a crucial role in Kenya's economy, but their financial performance of NHIF, a significant parastatals responsible for providing health insurance coverage for Kenya. Ideally, having a clear understanding on budgetary controls on NHIF's financial performance, the study can offer recommendations on effective budgeting practices, monitoring mechanisms, and control measures that can be adopted by other parastatals. This knowledge can help strengthen the financial sustainability of public institutions, enabling them to allocate resources more efficiently and enhance the quality of services provided to citizens. The findings can also inform policy decisions related to budgetary oversight and accountability in the public sector.

According to Ibrahim (2020) study, there is a positive relationship existing between budgetary implementation and the performance of parastatals. The findings of this study are backed by Otieno (2019) study where planning, budget controls budget and coordination had a significant relationship with financial performance. However, the study was based on public universities in Nairobi County. Contextually, Kalule (2019) and Muhunyo and Jagongo (2020) studies showed there was a significant relationship existing between budgetary control and the financial performance of organizations. Most of the studies are based on banks, public institutions and educational institutions.

Empirically, few studies are related to the effects of budgetary controls on financial performance of parastatals showing there is a research gap to be addressed by the current study. The studies have adopted a descriptive research design to examine the effects of budgetary controls on the financial performance of parastatals. This approach allows for an in-depth examinations of the relationship between variables. Methodologically, the study aims to explore whether control, planning, monitoring, and control mechanisms have a significant effect on the financial performance of parastatals in Kenya. Meanwhile, Katana, Atieno, and Wanyama, (2020) clearly highlighted that budgetary control is a crucial measure in enhancing financial performance in both the private and public sectors in Kenya. Further, emphasis was on the fact that the government of kenya has set a good pace in ensuring budgetary control is done in accordance with the laid down rules and regulations. This has improved financial performance by enhancing every state and private body's returns. On the other hand, Okumu, (2021) clearly established that budgetary control and financial performance in Kenya found that only 50% of the budgetary control mechanisms

were understood by the company's employees, indicating a need for better communication and definition of control activities to avoid wastage and losses. As a matter of fact, the study seeks to determine the relationship between budgetary controls and financial performance, emphasizing the importance of planning, monitoring, and control in enhancing the financial performance of parastatals. Additionally, the study aims to provide insights into the policies associated with managing the performance of parastatals in Kenya, focusing on improving financial performance through effective budgeting controls.

1.4 Objectives of the study

The study was guided by the following objectives

1.4.1 General Objective

To main objective of the study was to examine the effect of budgetary controls on financial performance of parastatals in Kenya; a case of National Health Insurance Fund.

1.4.2 Specific Objectives

i. To establish the effect of budget planning on financial performance of parastatals in Kenya.
ii. To determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya.
iii. To establish the effect of budget review on financial performance of parastatals in Kenya.

1.5 Research Hypotheses

H_{01}: There is no statistically significant relationship between budget planning on financial performance of parastatals in Kenya.

H_{02}: There is no statistically significant relationship between budget monitoring and evaluation on financial performance of parastatals in Kenya.

H_{03}: There is no statistically significant relationship between budget review on financial performance of parastatals in Kenya.

1.7 Significance of the Study

Clark, Foster, Bryman, and Sloan, (2021) noted that significance of a study refers to the importance and contribution of the researche to the broader field of study. In most cases, it explains why the research was needed and how it advances knowledge or understanding in that area. Firstly, the study will be significant to NHIF, an institutions bond with the responsibility of providing health insurance to Kenya citizens. Understanding how budgetary controls affect financial performance can help NHIF in several ways such as optimizing its budget allocation processes to ensure efficient use of funds, identifying areas where budgetary control measures need improvements to enhance financial performance; and to align its financial strategies with the findings of the study to achieve better outcomes for its members.

Secondly, the study was significant to the government. The government oversees the operations of parastatals and is concerned with their overall performance and contribution to the economy. A study on budgetary control can help the government in identifying parastatals that may need additional support or restructuring to improve their financial performance, assessing the effectiveness of current financial management practices across different parastatals which assisted in making informed decision. The research was of great importance to future researchers/ academicians since it acted as a source of information on budgetary control systems and financial performance in government institution. It enriched literature review for future researchers who undertook the research in the same field. This drove future researchers to develop much interest to explore other budgetary control areas not covered in this study.

1.8 Scope of the Study

The scope of the study refers to the boundaries and extent of research project, specifying the parameters within which the study will be conducted (Brown, 2022). The study was conducted within Kenya with specific attention to the NHIF's operations across the country. This incude

NHIF headquarters, regional offices, and major branches. The study also delve into various budgetary control mechanisms employed by NHIF, including variance analysis, financial reporting, and internal audits. The study was conducted over a set period, such as six months to one year, and finally, the study adopted descriptive research design, combining both quantitative and qualitative approaches.

1.9 Delimitation of the Study

Mugenda, (2008) states that delimitations are basic characteristics of the study that limit ts scope and are controllable by the researcher. The study will focus the effect of budgetary controls on financial performance of parastatals in Kenya. The reseacher easily will obtain the data which will be primary which will be collected by use of questionnaires and secondary which already existing in the published reports and the achieves.

1.10 Limitation of the Study

Limitation is the aspect of the study that the researcher knows may negatively affect the results or generalization of the results, but which has no control over (Zweni, *et al.,* 2023). Some of the respondents might not be willing to provide crucial information relevant to this study because of fear of victimization in the event the research findings negatively depict the image of their organization. The researcher however expained to the respondents that the information being gathered is purely for academic purpose and as such, confidentiality was guaranteed. Secondly, the success of the study heavily relies on the availability and quality of data related to budgetary controls and their performance. Incomplete or inaccurate data was comprised the validity and reliability of the findings. To address the problem, there is need to collaborate closely with parastatals to gain access to relevant data. Need to work on establishing a data-sharing agreement, ensuring data privacy and security. Thirdly, time constraints may limit the depth and breadth of the study, potentially leading to a superficial analysis. To address the challenge, there is need to

clearly define the scope and objectives of the study to focus on key aspects. Prioritize data collection and analysis tasks to ensure efficient use of time.

1.11 Assumptions of the Study

Akanle, Ademuson, and Shittu, (2020) refers to the underlying beliefs or premises that researchers make about the characteristics of the participants, the nature of the variables, or the general context of the study. Moreover, they claimed that the assumptions constitute to the major foundations for the research design, methods, and interpretation of results. Firstly, the research assumed that the participants provided accurate and reliable responses, having in mind that they understood the questions or tasks in the same way. Secondly, the researcher was assumed that ethical guidelines and principles was followed throughout the research process.

1.12 Theoretical Framework

The study was guided by Theory of Financial Control, Stewardship Theory and Theory of Budgeting.

1.12.1 Theory of Financial Control

In relation to the objective relating to the effect of budgetary control practices on financial performance, this study focused on the financial control theory by Laughlin (1980). The personal functions of human being both the present and future are thought to constitute the most important part of reference in the financial control theory. According to this theory the possible and the existing functions of financial tools for institutions are the most crucial. On the same note it is argued that financial instruments, accounting, payments, control models, economic calculations and other the related considerations both outside and with the institution discussions ought to carry out in regards to inner features as well as possible effects. From a financial control point of view, it important to establish the relationships between financial processes and various activities which are seen to be the basic and general issue (Al-Qudah, *et al.,* 2022).

According to Kamoune and Ibenrissoul, (2022) among the proponent of the theory suggest individual are inherently motivated to perceive themselves as being in control of their enviornment. They strive to shapeto shape their circumstances to align with their goals and desires. Moreover, the beliefs are influenced by an individual's expectations and values. Expectations refer to the preceived likelihood of succcess in achieving desired outcomes, while value represent the importance individuals place on those outcomes. Ozili, (2020) also agree with the fact that the ability to exert controls over one's environment is viewed as essential for adaptive functioning and psychological well-being. Believing in one's capacity to influence outcomes can lead tomincreased effort, persistance, and resilience in the face of challenges.

The theory was critiqued primarily revolving around its limitations and potential shortcomings in explaining complex financial phenomena. A number of critics include, Vergnhanini and De Conti, (2017) argued that the Theory of Financial Control often relies on simplistic assumption about financial markets and human behaviors. For instance, it may oversimplify the motivations of investors, the dyanmics of market participants, and the impact of extern factors. Moreover, Malindretos and Tsanacas, (2019) also critized the theory by claiming the theory fails to accurately predict real world financial events and outcomes. This could be due to its reliance on static models that may not account for the dynamic nature of financial markets. The financial controls theory for institutions puts much focus on the firms such that they can be looked at from several latitudinal areas. The first aspect is on human beings` functions, thus the accomplishments through firms, the activities they carried out and the output. The second aspect is on structure of the firm and the processes, and the activities that parties might be having with each other. The third regards to control systems in the form of procedures recurring and the methods employed relating to present and future resource functions both internally and externally. The fourth area, which is the last,

focuses on the processes that are specific to individual firms for issues that are certain. This theory further points out that the structure and the financial control systems work depend on another (Al-Qudah, *et al*., 2022). The theory of financial control was relevant in this study owing to the fact that it gave an insight on the intricacies that might surround financial management in an institution. The theory provides a structural framework that creates an understanding on how budgetary control can influence the financial performance of parastatals, thereby enhancing the relevance and effectiveness of the study.

1.12.2 Stewardship Theory

Donald and Davis (1991) and the accredited founders of the theory and they jointly explain that individuals entrusted with the running of an organization take responsibilities with utmost faithfulness and conduct business operations with high levels of accountability. Different types of ownership delegate authority to managers to plan and implement a number of strategies that sustain and grow the business over years (Nwanyanwu & Ogbonnaya, 2018). The proponents of the theory, managers who act as per the assumptions of the theory require less control and are motivated by exercising powers and need less motivation as compared others.

It is evident that Managers have hefty salaries and allowances to be motivated in the public institutions (Mahroqi & Matriano, 2021). The adoption of stewardship theory in organization has been positive as it advocates for collectivist, disregard of monitoring costs (Manei & Omagwa, 2019). Proponents of the theory stresses on emotional attachments and caring behavior, the problem of accounting for such behavior and action are subjective to personal upbringing and ethical orientation, hence, organization develop rules and regulations that guide members of an organizations on allocation and utilization of resources (Libby & Lindsay, 2019).

The theory has been criticized for basing its assumptions on individual morals which are subjective, ambiguity in how individuals should behave in a diverse workforce and misconceptions

about the idea of stewardship (Musili & Wepukhulu,2019). The theory of stewardship is more anchored on leadership and management plans that steer the organizations in its operations. Proponents give too much emphasis on leader's qualities and their abilities to enhance financial performance of their organizations (Nwanyanwu & Ogbonnaya, 2018). Assumptions were useful in explaining how managers at County Governments will be able to allocate and utilize resources as planned and improve their performance. Stewardship theory was based on the alignment of the aims of the principal and the agent (Arthur, 2003). Further, it was evident that indeed existence of boards and managers are stewards whose behavior is aligned automatically, on appointment, with the objectives of their principals. The theory maintains that directors have a different form of motivation, one that is drawn organizational theory and based on studies in both psychology and sociology. To overcome this, the directs board members to accomplish their job, is their desire to perform excellently and with honor. Specifically, the directors are conceived as being motivated by a need to achieve, to gain intrinsic satisfaction through achievements, self-actualization and a chance to grow. This theory supports hypothesis no 1 of this study namely HO1: Budget planning and implementation strategy has no significant effect on the performance of County Government in Kenya.

1.12.3 Theory of Budgeting

According to Jermias, Fu, & Chen, (2023), budgets are considered essential for an efficient control process of organizational activities. Moreover, Augustine, (2022) explains that budgets are used to project the future financial performance of an organization that makes it easier to evaluate the financial viability of the selected strategy within an organization. In most firms, budgeting is done by making budgets and monitoring the projected values against the actual values in the budget

(Augustine, 2022). Moreover, budgets can show the financial significance of the plans, the resources required, and the funds required to run business activities.

Budgets are influential on the workers' decisions and behavior because they can use them in funding the business objectives (Kenetey, & Popesko, 2024). In addition, they are used as benchmarks when assessing the performance of organizations. When preparing the budgets, rationality can be improved by considering other causes of action, such as political and legal requirements within a country (Dombashov, 2023). The preparation process of budgets requires the individuals to be considering the future and the records to reduce the variance in the allocations made. Miraji (2019) notes that budgets are used as detectors of variance between the performance of the firm and the organizational objectives. They act as benchmarks for comparing the budgeted results with the actual results and implement corrective initiatives when necessary. Budgets make the achievement of goals easier, facilitate control, enable contracts with other external organizations, and make learning efficient because the funds used are budgeted (Mohamed, 2022). Creating a suitable environment during budgetary changes requires implementing budgetary control measures and working within the legal requirements.

1.13 Conceptual Framework

A conceptual framework refers to a structure that illustrates the expected relationships between variables and defines the relevant objectives for the research process. It helps in clarifying the research problem, refining the research questions, and guiding the data collection and analysis process (Varpio, Paradis, Uijtdehaage, & Young, 2020). From figure 1.13, the independent variables include; budget planning, budget monitoring and evaluation and budget review while the dependent variable will be financial performance. Ideally, budget planning determines how financial resources determines how financial resources will be allocated across various activities and projects withjin a paastatals. Proper allocation ensures that funds are directed towards areas

that contributes most to the organization's goals, thereby enhancing financial performance. Secondly, budget monitoring and evaluation constitute to the various operations that allows the parastatals to track their spending against the allocated budget. By regularly monitoring and evaluation provides insights into the effectiveness of theses allocations, highlighting areas where resources are being underutilized or mismanaged. Budger Review determines the allocation of financial resources to different parastatals. A well-allocated budget ensures that parastatals have the necessary funds to carry out their activities efficiently.

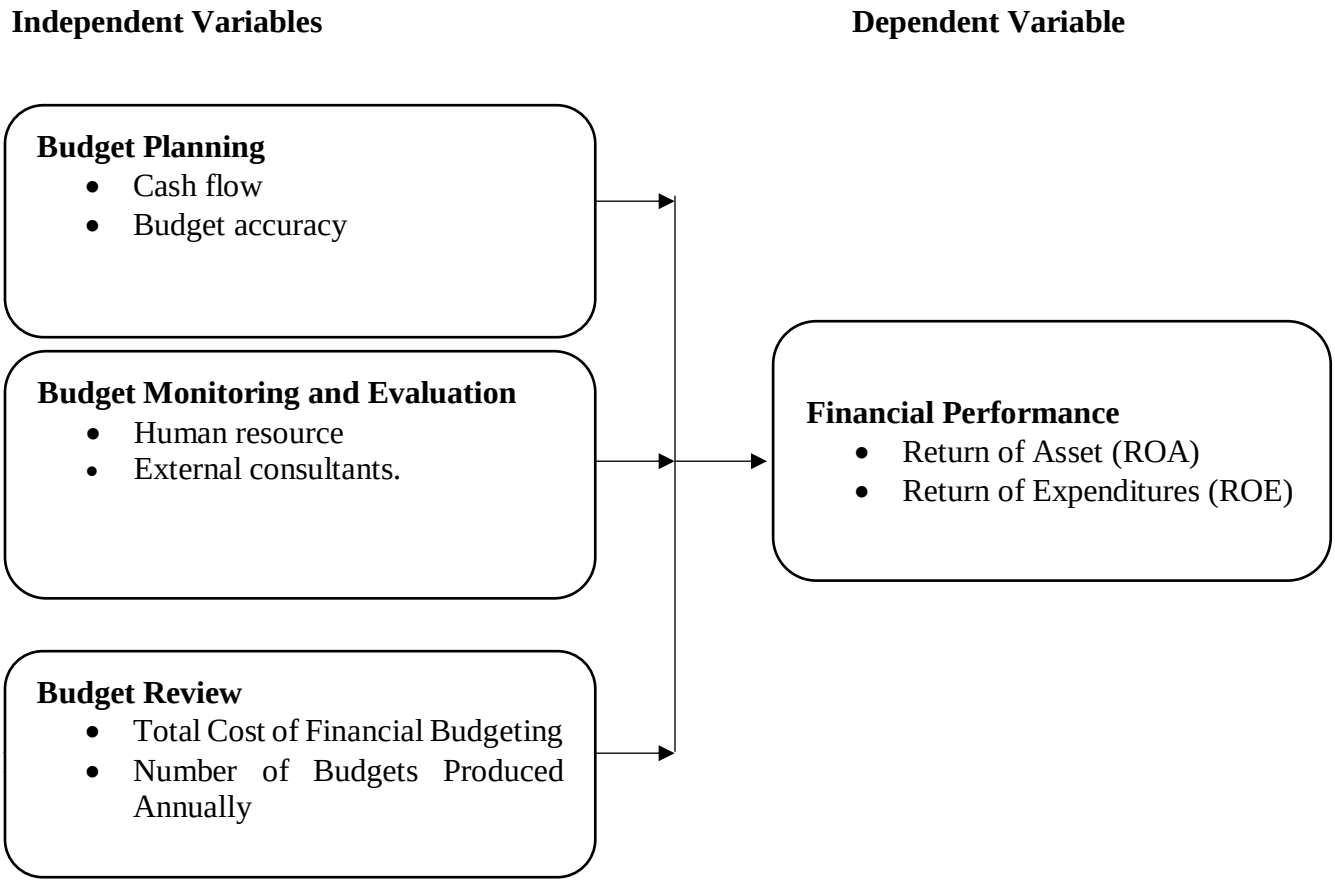


Figure 1.13 Conceptual Framework

Source: Author (2024)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will cover a critical summary and evaluation of the existing research and literature on the specific variables. The section will give an outline of the empirical review, summary of the literature review and finally, the knowledge gap.

2.2 Empirical Review

An empirical review involves examining previous studies and their findings to understand the current state of knowledge on a specific topic.

2.2.1 Budgetary Planning on Financial Performance

Mat et al.,(2022) examined a study on need for accountability through budget performance; a study on budget adequacy and participation of Malaysian local government. Budget mirrors local authorities' effective and efficient resource allocation practices. In many cases, however, a tendency toward budget slack raises genuine concern among stakeholders who participate in and are affected by the budget. The budget slack potentially exerts bias in the budgeting process which is detrimental to the accountability of local authorities. On this premise, the study aimed to examine the influence of budget participation and budget planning adequacy on the budget performance of local governments in Malaysia and how accountability could be promoted through high budget performance. A survey-based instrument was used to collect the data for this study from various local authorities in Klang Valley. A total of 110 responses were obtained representing a 73% response rate. Partial least square (PLS) structural equation modelling results showed that the effect of budgetary participation on budget performance is direct and also mediated by budget adequacy. This implies, among others, that while participation in the budgeting process can enhance budget performance, the effect is also contingent on the adequacy of resources the

participants are presented with. The study found that exist a gap in which budget planning has a direct effect on performance, but this effect is contingent on the adequacy of resources presented. That is, budget planning is mainly dependent on the availability of sufficient resources. The study focus was on Ghana provides insights into the financial practices and challenges within the context of a developing economy. The findings could influence how regulators and policymakers frame guideline around financial reporting and corporate governance in Ghana and similar contexts.

Agbenyo, Danquah, and Shuangshuang, (2019) conducted a study on budgeting and its effect on the financial performance of listed manufacturing firms; evidence from manufacturing firms listed on Ghana stock exchange. Organizations in both developed and developing countries face high competitions in the business sector. It is essential that businesses that want to remain competitive develop the desire of identifying the role of budgeting and its effect on their financial performance. In this regard, this study explored the role of budgeting and its effect on financial performance of listed manufacturing firms on the Ghana Stock Exchange as a case study. Specifically, the study sought to examine the role of budgeting and to analyze the impact of budgeting on the financial performance of these firms. Both cross-sectional and convenient sampling techniques were used to select fifty-one (51) respondents as the sample size of the study. Questionnaires were used to obtain data from the respondents. The correlation matrix was used to establish a positive relationship between budgeting and financial performance. The study discovered that budgeting plays imperative roles in the financial performance of listed manufacturing firms. The study again unveiled that there is a strong positive correlation between budgeting and financial performance. The study also concludes that planning; monitoring and control; coordination and evaluation plays a vital role and has a positive effect on the financial performance of manufacturing firms. The findings revealed a positive and significant relationship between budget planning practices and the

performance of manufacturing firms in the county. Notably, Agbenyo, Danquah, and Shuangshuang, (2019) provided valuable insights for financial managers in the manufacturing sector, policymakers, and researchers, emphasizing the importance of effective financial planning practices in enhancing the performance of manufacturing firms. The impact of technological advancements and innovation in budgeting practices was likely not a major focus. Given the rapid technological changes in the banking sector, exploring how technology influences budgeting and financial performance could be highly relevant,

Mligo and Maseko, (2022) conducted a study on the effects of the budgetary planning process on the financial performance of commercial banks in Tanzania; a case of CRDB, NMB AND NBC. The objective of the study was to investigate the effect of budgetary process on the Financial Performance of Commercial Banks which were NBC, NMB and CRDB in Dodoma Tanzania. A mixed method was used as both qualitative and quantitative data were used. The descriptive survey was used whereas randomly sampling was used to secure 95 respondents. Survey, interview and documentary review were used to collect data meanwhile descriptive and multiple regressions were used in data analysis. There was grounded on Resources allocation theory and structure efficiency theory. The findings showed that budgetary process had positive and significant effect of Financial Performance of Commercial Banks. This is because R2 = 58.6% while at F (8, 87) = 28.86, $p < 0.000$ implied that budget process had positive and significant effect on FP of CBs in Dodoma Tanzania. Researcher recommended that budgetary process should be enhanced through an increased participation and enhance on internal controls. The study was carried out in Tanzania while this study was carried out in Kenya.

Mbogo, Jimmy, and Olando, (2021) investigated a study on the effect of budgeting practices on the financial performance of manufacturing small and medium enterprises (SMEs) in Nairobi

County, Kenya. The study employed descriptive research design. Data was collected using self-administered research questionnaires. Target populaion was 156 manufactuing SMEs in the city of Nairobi. The study found that budgeting planning positively and significantly influence manufacturing SMEs financial performance. Specifically, strategic action in budgeting practices such as planning for cashflows, controlling cashflow, resource allocation, activity coordination, and monitoring financial position, can improve the financial performance of manufacturing SMEs. The study's findings asserted that small and medium sized enterprises (SMEs) have grown and represented most businesses in Kenya. However, the study establishes that 70% of SMEs in Kenya fail within their first three years or existence. One weaknesses postulated as a possible cause for this failure rate is poor financial performance. Overall, the current study basically focuses on effect of budgetary control on the performance of parastatals but this study focuses on budgeting planning play a crucial role in improving the financial performance of manufacturing SMEs in Nairobi County, Kenya. Therefore, SMEs in Kenya should be imparted with budgeting planning practices to improve their financial performance and reduce financial risks. The study contributes to the existing literature by providing empirical evidence on the importance of effective budgeting practices for the financial performance of manufacturing SMEs in Kenya, which are a key driver of the country's economic development. It provides valuable insights into the importance of budgeting practices for the financial performance of manufacturing SMEs in Nairobi County. Its relevance extends to policy formulation, practical business management, and broader economic implications for SMEs development in Kenya and similar contexts.

2.2.2 Budgetary Monitoring and Evaluation on Financial Performance

Projahnmo et.,al (2022) examined a study on the influence of monitoring and evaluation on sustainability of donor funded projects in Afghanistan. Notably, Monitoring and evaluation is a continuous management function to assess if progress is made in achieving expected results. The

study sought to examine the influence of monitoring and evaluation on the sustainability of donor-funded projects in Afghanistan. The study adopted the descriptive research design. The descriptive research design is a type of research design that systematically aims to obtain information to systematically describe a phenomenon, situation, or population. The target population included employees working at Afghanistan and International Rescue Committee. The study used the purposive sampling technique to get the sample size. The collection of the data was done using the questionnaires. The analysis of the data was done using descriptive and inferential statistics. The study found that monitoring and evaluation are critical in determining the sustainability of donor-funded projects in Afghanistan. The study found that monitoring and evaluation is positively and significantly associated with project sustainability (r=.418, p=.000). It was also found that project monitoring and evaluation is positively and significantly related to sustainability (β=0.521, p=0.009). This research likely aimed to address this gap by providing valuable insights into the importance of monitoring and evaluation mechanisms in enhancing the sustainability of development projects in the region. Moreover, *Projahnmo et.,al* (2022) never elaborated in detailed the importance of M&E systems in donor-funded projects, particularly in challenging environments like Afghanistan. By emphasizing continopus assessment and adapatation, M&E not ony ensures that projects are o track to achieve their goals but also helps in building sustainable framework that continue to benefit communities in the long run.

Misigo, (2023) conducted a study on budget monitoring and evaluation and financial performance on non-governmental organizations in Kakuma Refugee Camp, Turkana County, Kenya. Budgeting is considered one of the most useful and successful accounting tools aiding management in ensuring that financial resources are utilized efficiently. When budgeting is properly understood and implemented sufficiently will facilitate effective utilization of resources, improve decision

making, and create benchmarks to measure financial performance. Budgeting is an essential tool in goal identification in organizations, responsibilities reassignment, and execution of these goals. Several NGOs in Kenya have been facing problems ranging from financial misappropriation to engaging in activities outside their mandate. The government closed down 14 NGOs over misappropriation of funds in Kenya in 2014. The was followed with strict regulations to curb the activities of NGOs. The caused the deregistration of over 500 non-governmental organizations and subsequently 900 more NGOs. The study investigated the influence of budgetary process and financial performance of NGOs in Kakuma refugee camp, Turkana County, Kenya. The study specifically targeted the role of budgetary formulation, budgetary implementation, and budgetary monitoring and evaluation on the financial performance of the NGOs in Kakuma Refugee Camp. In addition, the study determines the moderating role of governance on the relationship between the budgeting process and the financial performance of NGOs in Kakuma Refugee Camp. The study was anchored by four theories that include; incremental budgeting, the theory of change, priority-based budgeting and liquidity preference theory. The study employed a descriptive research design. The study targeted all 24 NGOs in Kakuma Refugee Camp which had 220 budget experts and was done within a period of six months from January to June 2023. Census approach was adopted by the study since the population was small. The questionnaire was the main research tool that the study employed in capturing information. After completing data collection, analysis was undertaken using SPSS version 22. The data was analyzed using this software to generate both inferential and descriptive statistics. Descriptive statistics involved mean and standard deviation while inferential statistic involved correlation and multiple regression models where the relationship of study variables were determined. It was found by the study that budget formulation affected financial performance significantly. In addition, budget implementation is a significant

predictor of financial performance. Further, budget monitoring and evaluation had a positive and significant influence on financial performance. Misigo, (2023) primarily focused on internal budget monitoring and evaluation mechanisms within NGOs. Ideally, excluded the exploration of external economic factors, such as inflation currency fluctuations, or changes in donor funding impacted the financial performance of these organizations.

Panyako and Miroga, (2024) examined a study on budgeting process and financial performance of the county government of Trans Nzoia,Kenya. Budgeting process has become a fundamental issue for many organizations. In Kenya, budgeting process is increasingly recognized as a key tool for financial management. Despite the budgeting process, the county governments are still facing financial challenges notably budget deficits, stalled projects and pending bills. This suggests that the process through which the budget is controlled and monitored and evaluated could potentially help determine the financial outcomes of the county governments. It is on this basis that this paper examined the influence of budgeting process on the financial performance of the county government of Trans Nzoia County. The specific objectives were to determine the influence of budget control and auditing and budget monitoring and evaluation on the financial performance of the county Government of Trans Nzoia, Kenya. The study was guided by the agency theory and employed the correlation design. The target population comprised of the senior and middle level employees drawn from the Finance and Economic Planning Department, Trade, Commerce and Industry Department, Public Service Management and Governance and County Assembly Committees in Trans Nzoia County. Data was collected using the questionnaires and analyzed using both the descriptive and inferential statistics. The results showed that there was a positive and moderate relationship between budget control and auditing and budget monitoring and evaluation and financial performance. 53.5% of the variance in financial performance was

explained by budget control and auditing and budget monitoring and evaluation. Moreover, Panyako and Miroga, (2024) lacked a comparative analysis with other counties or regions which would have provided a benchmark for assessing the budgeting process and financial performance of Trans-Nzoia County.

Chepkorir and Langat, (2021) examined a study on the relationship between budgetary monitoring and financial performance of County Government of Kericho, Kenya. Budgeting has become a fundamental issue for many organizations and business entities across the globe. Despite the availability of a legal framework on budgetary processes in the public sector, County Governments are still facing challenges such as delays in payment to suppliers, budget deficit, stalled projects, and poor development records. It is on this basis that this study sought to investigate the relationship between monitoring and financial performance of the County Government of Kericho. The study was guided by expenditure theory. The study adopted a correlation survey research design. The target population for the study was 3,848 employees from 12 departments of the County Government of Kericho. A stratified sampling technique method and simple random sampling technique were used to ascertain the sample size for the study. Data were analyzed using descriptive and inferential statistics. Descriptive statistics were presented by frequency tables, charts, and graphs, while inferential statistics were presented by correlation and regression models. The findings established that there was a significant statistical relationship between budgetary monitoring and financial performance ($\beta = 0.901$, $p < 0.05$). The study concludes that the budgetary monitoring had significant impact on financial performance of County Government of Kericho. The study recommends that for an efficient budgetary process, the county government should set realistic revenue targets to ensure that expected expenditure matches expected incomes and also acquire and train staff involved in budget planning for an efficient planning process. Meanwhile,

Chepkorir and Langat, (2021) did not explains the County's experiences in terms of delays in settling dues with suppliers. Leading to strained relationships and potential legal disputes. This issues could result in suppliers being hesitant to engage in future contracts with the government.

2.2.3 Budgetary Review on Financial Performance

Nair, Osamah, and Salwa, (2020) examined a study on budgetary review and its financial performance; a case study of small and medium sized enterprises in Yemen. Budgets play a significant role in many organizations worldwide, as it allows enterprises to achieve their strategic goals that have been set for the future. The ongoing civil war in the country of Yemen has devastated the country's economy. However, small and medium-sized enterprises (SMEs) have grown and represent the majority of businesses in Yemen, playing a significant role in job creation and the economy of the country. Budgeting has been seen as an important tool that might play an important role in the financial performance of SMEs in Yemen. Hence, the primary aim of this study was to examine the effects of the budgetary process, including budgetary planning, participation, control, and evaluation, upon the financial performance of SME's in Yemen. This study received responses from 200 business owners in Yemen. The findings of this research affirm the relationship of two factors: budgetary planning, and budgetary control with the financial performance of SMEs in Yemen. The implications of the research findings were also discussed. In summary, the study demonstrates that the budgetary process and financial management practices are crucial determinants of the financial performance and success of SMEs in Yemen. Meanwhile, Nair, Osamah, and Salwa, (2020) on the other hand overlooked at aspects include the specific challenges faced by SMEs in implementing effective budgetary controls, the role of external economic factors in budget planning and performance, and the potential for technological advancements to streamline budgeting processes. Despite these gaps, the study underscores the

importance of budgets in aligning organizational activities within long term objectives, thereby enhancing overall financial performance.

Alayli, (2023) through the budgeting involves estimating costs for various activities and projects. By comparing actual expenses to budgeted amounts, organizations can identify areas of overspending and implement cost-control measures to stay within budgetary limits. Individuals participating in capital budgeting choices are presumed to act rationally while making investments. However, human irrationality may have an impact on actual capital budgeting choices. The primary purpose of this research was to analyze how capital budgeting choices affected the bottom lines of Lebanese financial institutions. The sample for the research consisted of nine different banks in Lebanon. Data was gathered using both original sources and secondary resources. The data covered the years 2015 till 2020. The listed banks' financial statements served as a secondary data source, while questionnaires were used to gather primary data. For the purpose of analysis, we used MS Excel and SPSS. This research shows that capital budgeting methods are used by banks in Lebanon while making investments. In terms of capital planning, net present value was the most used metric. After NPV and IRR came PBP and ARR, with ARR being used the least. Banking institutions in Lebanon are urged to provide their staff with training in capital budgeting techniques after reading this paper. Prioritize initiatives based on their potential for success while you look for external financing. Consider acquiring a blend of conventional and contemporary capital budgeting methods to assist the company decrease the risks of project failure and establish a dedicated department to handle the identification of potential projects and the selection of suitable capital budgeting tools mix. By comparing actual expenses to budgeted amounts, organizations can pinpoint areas of overspending and implement cost-control measures

to remain within budgetary limits. Meanwhile, Alayli, (2023) noted that there might be lack of focus on the processes and importance of post-implementation reviews to assess the effectiveness of budgeting decisions and capital investments.

Mohamed, (2022) examined a study on budget review on financial performance of manufacturing firms listed in the Nairobi Securities Exchange, Kenya. The financial performance of the manufacturing companies listed on the NSE, Kenya lends significantly to the expansion of Kenya's industrial sector, stock market, and overall economy. Due to the different difficulties, this financial performance could be jeopardized and result in a falling trend. As proven during a five-year period, from the years 2017 to 2021, some manufacturing enterprises' financial performance continues to deteriorate and fluctuate irregularly despite having implemented budgetary processes. Since the implementation of budgetary procedures is meant to enhance financial performance, the irregular financial performance of manufacturing enterprises persists. In light of this, it is yet unknown if the budgetary process has a substantial impact on the financial performance of manufacturing enterprises. In light of this context, the study aimed to ascertain the relationship between budgetary process and financial health of manufacturing enterprises traded at NSE, Kenya. The study's specific objectives are to ascertain the impact of budgetary planning, involvement, control, and evaluation on the financial health of manufacturing enterprises traded at NSE, Kenya. Research hypotheses was evaluated at a significance level of 0.05. Three theories the incremental budgeting theory, the priority-based budgeting theory, and the risk-based budgeting theory. The study employed a correlational research design and the target audience were forty-five respondents from nine manufacturing firms traded at the NSE in Kenya from which the study adopted a census. Primary data was used to collect data on the independent variables whereas secondary data

collected data on the dependent variable. The analysis procedure entailed the utilization of descriptive statistics with focus on means and standard deviation, and inferential statistics by running an OLS multiple Regression model with the aid of SPSS Software (Version 26). Normality, multicollinearity and heteroscedasticity tests were run prior to the actual analysis. The analyzed data was then displayed using graphs, frequency tables and charts. Ethical consideration measures was adhered to during the entire research. The study and found that budgetary planning and budgetary control were statistically significant and thus the null hypotheses was rejected. Whereas budgetary participation and budgetary evaluation were both statistically insignificant and thus the null hypotheses was not rejected. The study recommends the application of budget plans that are generated utilizing historical data as a reference point where it outlines the allowances and variances to be applied to the varying parameters before line managers prepare budgets for each of their departments to help improve the financial health of industrial firms traded at NSE. It also recommends that budgetary control should start at the lowest levels, aligning of real results and adhering firms strategic planning and operational control that helps to improve performance of industrial firms traded at the NSE. Mohamed, (2022) might have not discussed policy implications or recommendations based on findings. Policy recommendations could include suggestions for improving the regulatory environment, enhancing access to finance for manufacturing firms or promoting better corporate governance practices.

2.3 Summary of the Literature Review

This chapter will present a review of theoretical and empirical literature. The theoretical review section will focus on the three theories; Theory of Financial Control, Stewardship Theory and Theory of Budgeting that will be applied to inform the study. The empirical review will present empirical literature from past studies regarding the effect of budgetary controls on financial performance of parastatals in Kenya; a case of NHIF. Lastly the chapter will present the research gap thaTht this study is expected to fill.

2.4 Knowledge Gap

Although many studies will focus on financial performance little has been done on the effect of budgetary controls on financial performance of parastatals in Kenya; a case of NHIF. All the components of budgetary controls are critical to financial performance of parastatals as failure in one component affects all the other subsequent thus affecting the efficiency and effectiveness of financial performance.

Table 2.1 Summary of Literature Review and Research Gaps

Authors and Context	Focus of the Study	Major Findings	Gaps in Research	Key Findings
Mat, Saad, Arshad,Roni and Urus, (2022)	Budget adequacy and participation of Malaysian local governments	The major findings in a study on budget adequacy and participation of Malaysian local governments indicate that budgetary participation significantly influences	The study focused on the relationship between budget adequacy and participation of Malaysian local government specifically. It was crucial for understanding the dynamics between budget allocations and local	The study might find that budget adequacy positively correlates with the quality and quantity of services provided by Malaysian local governments.

		budget adequacy.	government engagement	
Agbenyo, Danquah, and Shuangshuang, (2019)	Budgeting and its effect on the financial performance of listed manufacturing firms; evidence from manufacturing firms listed on Ghana stock exchange.	There is a strong positive correlation between budgeting and the financial performance of these manufacturing firms	The research focuses on the financial performance of listed manufacturing firms in Ghana might be scarce, especially regarding the specific impact budgeting practices on their financial performance.	The study might find that certain budgeting practices, such as participative budgeting or zero-budgeting based, are more effective than others in improving financial performance among Ghanaian manufacturing firms
Mligo and Maseko, (2022)	Effect of the budgetary planning process on the financial performance of commercial banks in Tanzania	The results showed that the budgetary process had a positive and significant effect on the financial performance of the commercial banks, with an F-statistic of 28.86 and a p-value less than 0.000.	Knowledge gap on the effectiveness of budgetary planning on the financial performance of commercial banks in Tanzania. The study's findings provide valuable insights into the challenges and solutions for improving the budgetary planning process in commercial	Budgetary planning is critical for the financial performance of commercial banks in Tanzania. The study found that commercial banks with effective budgetary planning processes have better financial performance than those with weak budgetary planning processes.

			banks in Tanzania.	
Mbogo,Jimmy, and Olando, (2021)	Effect of budgeting practices on the financial performance of manufacturing small and medium enterprises in Nairobi.	Highlighted by the fact that while budgeting practices are recognized as crucial for the financial performance of SMEs.	The study found that budgeting practices significantly influence the financial performance of manufacturing SMEs. Specifically, planning for cash flows, controlling cash flows, resources allocation, activity coordination, and monitoring financial position have all been implemented to a great extent as part of budgeting practices.	Moreover, the study suggests that policy implementers, sector players, the government of Kenya, accounting bodies, and financial institutions should develop proper policies and regulations to enable manufacturing SMEs to adopt budgeting practices.
Projahnmo,Heblinski, and Jahid, (2022)	Examined a study on the influence of monitoring and evaluation on sustainability of donor	The major gap identified in the influence of monitoring and evaluation on the sustainability of donor-	Sustainability remains a challenge due to the complex political and security dynamics in the country.	The evaluation highlights the need for a greater emphasis on assessing project proposals based on sustainability criteria, and the

	funded projects in Afghanistan.	funded projects in Afghanistan is the issue of Transitioning Project Monitoring (TPM) to external consulting firms	Despite progress in different sectors, Canada's funding remains necessary for continued project activities and sustained operations, as the Afghan government lacks sufficient capacity or revenue to sustain outcomes achieved through donor funding	importance of focusing on outcome-level changes rather than just output-level results. While most bilateral projects integrated sustainability considerations in the planning stage, project reporting did not explicitly look at the sustainment of achieved results.
Misigo, (2023)	Conducted a study on budget monitoring and evaluation and financial performance on non-governmental organization in Kakuma Refugee Camp, Turkana County, Kenya	Budget Monitoring and Evaluation influences the financial performance of NGOs.	The study identified weaknesses in budget monitoring and accountability mechanisms that compromised the efficiency of the health systems in the county.	Key findings included the importance of strengthening budget monitoring and accountability processes to improve efficiency. Recommendations included increasing budget literacy, supporting participatory budgeting,

				synchronizing performance and financial accountability, implementing existing monitoring mechanisms, rewarding efficiency, and sanctioning inefficiency.
Panyako and Miroga (2024)	Budgeting process and financial performance of the county government of trans Nzoia, Kenya	Budgeting process positively influences performance	However, the study does not mention any specific knowledge gap related to the budgeting process and financial performance of the county government of Trans Nzoia, Kenya.	The search results provide a comprehensive overview of the county's budgeting process and financial performance, but do not indicate any specific knowledge gap that the study aims to fill.
Chepkorir and Langat, (2021)	Examined a study on the relationship between budgetary monitoring and financial performance of County Government of Kericho, Kenya.		The study highlights the importance of proper budget management and evaluation of outputs in improving the financial performance of county governments. It	The study findings that county governments adopt appropriate budgeting practices, including budget planning, budget coordination, budget evaluation, and budget reporting, among

			also emphasizes the role of budget utilization in the financial performance of county governments, with the success of the latter being dependent on the allocations set in the former and how the former allocations are executed.	others, to improve their financial performance.
Nair, Osamah, and Salwa (2020)	Budgetary review and its financial performance; a case study of small and medium enterprises in Yemen	Budgetary review influence performance.	The study found that the budgetary process significantly impacts the financial performance of SMEs in Yemen, with a positive relationship between the two variables. The study also found that the budgetary process is a critical tool for SMEs in Yemen to	Yemen by providing empirical evidence on the importance of the budgetary process in their financial performance. The study's findings have practical implications for policymakers and SMEs in Yemen, highlighting the need to prioritize the budgetary process to improve financial performance and achieve

			manage their financial resources and achieve their strategic goals. The study's findings suggest that SMEs in Yemen should prioritize the budgetary process to improve their financial performance and achieve sustainable growth.	sustainable growth.
Alayli, (2023)	Budgetary review on performance of Lebanese financial institutions	There is a positive correlation between budgetary review and performance.	The study found that capital budgeting decisions have a significant impact on the financial performance of Lebanese banks, with NPV, IRR, ARR, and PBP being positively and statistically significantly correlated with financial performance	The research also suggests that businesses carefully evaluate the strain these initiatives will place on their resources before implementation and that bank executives should devote significant time and resources to training and education for bank staff, with a focus on improving their knowledge and abilities in the areas of capital

				planning and investments
Mohamed, (2022)	Budget review on financial performance of manufacturing firms listed in the Nairobi Securities Exchange, Kenya	There is positive relationship between budget review and performance.	The research identified a knowledge gap in existing studies, which primarily focused on budget formulation and implementation processes rather than liquidity control.	The key findings of the study highlighted the significant impact of liquidity management on the financial performance of the listed manufacturing firms. Specifically, the study revealed that effective cash control positively influenced the financial performance of manufacturing small and medium enterprises (SMEs) in Nairobi County, with cash control serving as a measure of liquidity control for these SMEs

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter clearly outlined the research that was conducted. It focused on the research design, research site and rationale, target population, study sample size, sampling procedures, data collection, instruments of validity, instruments of reliability, data processing and considerations ad legal and ethical considerations.

3.2 Research Design

Sileyew, (2019) refers to the blueprint or plan that outlines how a research study was conducted. It encompasses the overall strategy and structure of the research, including the methods and procedures to be used for collecting and analyzing data. The research adopted a mixed research that allowed collection and analysis of both quantitative and qualitative data to provide a comprehensive understanding of the research problem. The quantitative aspect of the study involved collecting financial data from NHIF, such as revenue, expenses, and profitability rations, to measure the financial performance. This data was analyzed using statistical techniques like regression analysis to determine the relationship between budgetary controls and financial performance. The qualitative component can include conducting interviews with NHIF managers and employees involved in the budgeting process. This can provide insights into the budgetary control practices, challenges faced, and perceptions of their impact on financial performance. Qualitative data can be analyzed using thematic analysis to identify common themes and patterns.

3.3 Research Site and Rationale

This study was conducted in Parastatals in Kenya, situated at NHIF. This study was selected considering the fact that the head officers is the one responsible for adapting techniques where

budgets are used to set priorities and implement them for the purpose of controlling activities. The major decisions associated with budgetary control are made at NHIF Upper hill, which is head office. This hence made it appropriate for the study.

3.4 Target Population

Creswell and Creswell, (2017) state that target population refers to respondents who have met a certain set of criteria included in the research for them to be included in the research study. The target population for this study will be the 2,000 employees based at the headquarters of the National Hospital Insurance Fund which consisted of 95 top management(Senior Managers); 405 Middle Management(Assistant Managers); and 1,500 Operational Staff (Officers I,II &III).

Table 3.1: Target Population

Category	Target Population	Percentage
Top Management (Senior Managers)	95	4.75%
Middle Management (Assistant Manages)	405	20.25%
Operational Staff (Officers I,II &III)	1,500	75%
Total	**2,000**	**100%**

NHIF HR Database (2024)

3.5 Study Sample

3.5.1 Sampling Procedures

The study will employ stratified sampling technique where each group in the population was included in the sample. This ensured that each population segment gets a proportionate sample selected. This also ensured representativeness of the selected sample and hence findings from the sample was reliable.

3.5.2 Study Sample Size

A sample size refers to the number of items to be selected from the universe to constitute a sample (Sileyew, 2019). Therefore, the sample size was basically be the portion of the population that will be used for a research investigation, it's proportion of the population was possess certain characteristics as the population and is a smaller version of the entire population that will be used for investigation. According to Mugenda and Mugenda (2013) noted that a good smaple size should be between 10% and 30% of the entire population. The study was focused on 2,000 employees was obtained from various departments. Out of this, 10% of the population from the centre was sampled. In this case, the researcher will administer the Yamane formula which was used to determine the sample size because the population was finite.

$$n= N/ (1+ Ne^2)$$

where

n = corrected sample size, N=population size, and e =Margin of error, e =0.05 based on the research conditions. In case our population is 2,000.

$$2,000/ (1+2,000(0.05^2) =333$$

The sample size will be=333

Table 3.2: Sample Size

Category	**Target Population**	**Actual Sample**
Top Management (Senior Managers)	95	16
Middle Management (Assistant Manages)	405	67
Operational Staff (Officers I,II &III)	1,500	250
Total	**2,000**	**333**

Source: Author (2024)

3.6 Data Collection

3.6.1 Data Collection Instruments

Accurate and systematic data collection was critical to establishing the purpose of this study. Data collection methods was allowed the study to develop an appropriate tool and procedure to collect data from the identified sample of the study. This study collected quantitative primary data – data that can be measured using a numeric scale. A questionnaire survey tool, thus, was adopted. A questionnaire is a research tool with a series of questions and other prompts to collect information from the participants. The advantage of a questionnaire instrument is that it contains pre-determined questions that allow respondents to respond easily, thus, saving time (Pandey & Pandey, 2015).

To ensure that the questionnaire tool is appropriate for data collection, the study was ensured that each question contributes to testing the stated research questions. The questions the form of semi-structured (closed-ended) questions that takes the form of Likert-scale choice. The questions required participants to demonstrate their level of agreement with each statement on a scale of 1-5 where 1 – strongly disagree, 2 – disagree, 3 – neutral, 4 – agree, and 5 – strongly agree. Likert-scale questions are advantageous to this kind of study in that they were easily understood by the respondents, easily quantifiable by the researcher, and easily analyzed for generalizing the results (Kothari, 2010).

The questionnaire was five sections with simple, clear, and short statements per section. Section 1 of the questionnaire contained demographic questions. Sections 2 to 5 contained Likert-scale questions. Specifically, section 2 was focused on questions related to budget planning, section 3 focused on questions related to budget monitoring and evaluation, and section 4 focused on

questions related to budget review. Finally, section 5 questions focused on financial performance measurements. After designing the questionnaire tool, the researcher trained two research assistants who administered the questionnaires to the participants at the organizational levels.

3.6.2 Piloting of Research Instruments

To ensure the adequacy of the planned actual research methods and procedures, a pilot test study was conducted. A pilot study, also known as a pre-test study, is a preliminary investigation that will be performed on a small sample (not the actual sample) to evaluate the feasibility of the instrument including its rigour (In, 2017). A pilot study aims to improve various aspects of the planned research methods including the revamp of the questionnaire before the actual study is conducted. Lowe (2019) highlighted that a pilot study uses a purposive sampling technique and is usually conducted on about 10 percent of the sample. Thus, an average number of 13 individuals from Kenya Railways was included in the pilot study.

3.6.3 Instruments of Reliability

The study ensured the validity and reliability of the measurements of the instruments. According to Taherdoost (2016b), validity describes the accuracy or score of a measure. It demonstrates the degree to which the scores of a measure do represent what they ought to measure. To ensure that this study measures exactly what it ought to measure, both face and content validity was considered. Face validity attempted to demonstrate whether the content of measurements appears to be suitable to its goal at the ‘face value’. Content validity attempted to reveal whether the measurements fully represent what it aims to measure by looking at the contents of the measurements. The study determined validity by relying on an expert’s (supervisor’s) knowledge or opinion, which was used to improve the measurements.

On the other hand, reliability was determined to establish whether the measurement can give consistent findings when used repeatedly (Lakshmi & Mohideen, 2013). This study used internal consistency reliability to examine the degree to which various measurements under each variable of the study provide similar results. Cronbach's alpha (α) test was considered an internal consistency measure. A value of +.70 or greater was generally be considered a good indicator of internal consistency, thus, suggesting the reliability of the measurement (Taherdoost, 2016b). The reliability results in Table 3.3 revealed that budget planning consisted of 8 items (α = .933), budget monitoring and evaluation was consisted of 8 items (α = .923), budget review consisted of 8 items (α = .923), and performance of parastatals consisted of 5 items (α = .848). Generally, the established alpha coefficients were above (α = .7) indicating that all measurements was highly reliable for use in this study.

Table 3.3: Cronbach Alpha

Variables	Cronbach's alpha	No. of items	Decision
Budget Planning	.933	8	Reliable
Budget Monitoring and Evaluation	.923	8	Reliable
Budget Review	.923	8	Reliable
Performance of Parastatals	.848	5	Reliable
Average alpha coefficient	.875		Reliable

Source: Author (2024)

3.6.4 Instruments of Validity

Pandey and Pandey, (2021) clearly pointed out on the fact that validity is a measure of whether the data generated by the data collection tool meaningfully represent the variable. In addition, validity

relates to the extent in which the knowedge and meaning of informants has been achieved. Moreover, expert reviewa from the supervisors and panel members sought to test whether the questionnaire is valid in terms of content and design. To ensure validity, secondary review of data and information about budgetary control was done to compare with the data from the respondents. Further, recommendations from the pilot test was used to make amendments to the final questionnaire.

3.6.5 Data Collection Procedures

Once the study ensures that the questionnaire tool is rigorous and meets the validity and reliability threshold, debriefing and consent forms was designed. The two forms seek to introduce participants to the purpose of the study and outline their right to withdraw at any given time. Together with the questionnaire tool, the study was used the forms to obtain an ethical letter from the University. Thereafter, the study was obtained a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI). The study was then present all these research approvals to the administration of NHIF to inform them about the study. Upon getting clearance from NHIF employees and with the aid of the two research assistants, data was collected through the drop-and-pick method. This process took approximately 1-2 weeks to give respondents ample time to respond to the questionnaire survey.

3.7 Data Processing and Analysis

Data analysis in this study involved summarizing all the collected primary data. It involved turning the quantitative primary data into numerical data through the use of analytical reasoning to establish patterns and relationships via data visualization like charts and tables (Wetcher-

Hendricks, 2011). The analysis with the aid of Statistical Package for Social Sciences (SPSS) software version 25.0 will occur at three levels. The first and second levels of analyses was required descriptive statistics to describe the data for easy understanding. Primarily, the first level was entailed establishing frequencies and percentage frequencies of the demographic information, and data was presented using graphical methods like bar and pie charts (Cooksey, 2020).

The second level of analysis was focused on analyzing the Likert-scale data. It aims to describe participants' level of agreement with various measurements under each variable. In addition to establishing frequencies and percentage frequencies, advanced descriptive statistics like the measure of central tendency (mean) and measure of spread/dispersion (standard deviation) was used. A mean of ≥ 3.0 will indicate "agree" and vice versa. A standard deviation will measure how data is spread out from the mean. A low standard deviation implied that the data points are close to the mean of the data set and vice versa. The results was presented using tables (Wetcher-Hendricks, 2011).

The third level of analysis was focused on inferential statistics like correlation and regression. The goal was to answer the research questions: to establish the effect of budgetary controls on financial performance influence; independent variables include (budget planning, budget monitoring and evaluation; and budget review) transparency regulatory role, rule of law regulatory role, and participation regulatory role) on the dependent variable (financial performance). Correlation analysis with the aid of the Pearson correlation coefficient measured the strength of the linear relationship between the study variables. A Pearson correlation coefficient of $\geq .5$ indicated "a strong correlation," $\geq .3 \leq .5$ indicated "a moderate correlation," and $< .3$ indicated "a weak correlation" (Chatterjee & Simonoff, 2013). Moreover, multiple regression analysis determined

the relationship and the extent of influence of the independent variables on the dependent variable, and the equation was followed;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where; Y = Financial Performance

α = the constant (intercept)

$\beta_{(1,2,3)}$ = Coefficient of the independent variables

X_1 = Budget Planning

X_1 = Budget Monitoring and Evaluation

X_1 = Budget Review

ε = Error value

From the regression analysis output at the 95 percent and 5 percent confidence and significance levels respectively, the model summary output demonstrated the proportion of variance in the dependent variable, which can be predicted from the variances in the independent variables, and was indicated by the R-Square (R^2). The analysis of variance (ANOVA) regression output demonstrated the overall fit of the model – how well the independent variables reliably predict the dependent variables, and be shown by the significance value < .05. The regression coefficient output was highlighted the relationship between the independent variables and the dependent variable – the amount of change in the independent variables that would influence the dependent variable, and was shown by the unstandardized coefficients with significance values <.05 (Chatterjee & Simonoff, 2013). The findings will be presented using tables.

3.7.1 Diagnostic Tests

3.7.1.1 Karl Pearson Correlation Analysis

Correlation analysis is performed to test the strength and direction of the association between the independent and dependent variables of the study (Kumar & Chong, 2018). The Pearson correlation matrix was used to indicate the direction, strength and significance of the relationships. In such a test, r ranges between -1 and 1. Hence, when r is zero it means that there is no relationship. When r is positive, it means that the two variables increase or decrease in the same direction. When r is negative, it means that the two variables are inversely related.

3.7.1. Diagnostic Tests

Diagnostic tests are undertaken to guarantee the assumptions of the CLRM are achieved before estimating the regression models which lead to different conclusions and inferences. For the multiple regression model to be deemed appropriate for the research, there are certain expectations that have to be tested and established for specification. Different diagnostic tests were carried out in the study including; normality test, stationarity, heteroscedasticity, autocorrelation, multicollinearity and test for fixed or random effects.

3.8 Legal and Ethical Considerations

Ethics are norms or standards of behavior that guide the moral choices about our behavior and our relationship with others. All parties in research should observe ethical behavior. According to the Neuman (2013), research is an activity designed to test hypothesis, permit conclusions to be drawn, and thereby develop or contribute to generalized knowledge expressed in theories, principles and statements of relationships. The researcher will obtain a letter from Africa Nazarene university allowing her to undertake the study and the introductory letter explaining the purpose of the study and that will confidentiality upheld for all the respondents. The researcher will issue a letter from the university to seek a research permit from the National Council for Science and Technology.

After obtaining the permit, the researcher will make preliminary arrangements with the management of NHIF two weeks before the material date, in order to create sufficient rapport with the respondents, raise their confidence and awareness as to the nature and purpose of the study, as well as inform them of their freedom to make informed choice.

Bryman (2016) states that it is the responsibility of the researcher to carefully asses the possibility of harm to research participants, and the extent that it is possible; the possibility of the harm should be minimized. The researcher will identify if the issues under study are sensitive because it needs the core business of the organization. Therefore, there will be need to protect the identity of the respondents as much as possible. This meant that the questionnaires will not require respondent names or details that will reveal their identity. All parties in research will observe ethical behavior and other people's ideas, process, results, were given appropriate credit.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF THE FINDING

4.1 Introduction

This chapter reports the findings and interpretation of the study. The chapter starts with brief information on the response rate of the study. It then presents a descriptive analysis that covers background information of the respondents and a comprehensive descriptive data analysis of the study variables – including independent and dependent variables. Moreover, the chapter also reports inferential analysis including both correlation and regression analysis. The regression analysis was conducted for each independent variable to test the hypothesis of the study. The chapter concludes by providing an overall regression model of the study.

4.2 Response Rate

A total of 215 questionnaires were filled and returned for analysis out of 333 questionnaires administered for the study. This represents a response rate of 64.6% as shown in Table 4.1. The study considered this response rate good to make study conclusions. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate, 60% is good, while above 70% is excellent. Thus, following Mugenda and Mugenda's assertion, the established response rate is satisfactory to make study inferences in table 4.1.

Table 4.1 Response Rate

Response Rate	**Target Population**	**Response Rate (%)**
Filled and Returned Questionnaire	215	64.6%
Un-returned Questionnaire	118	35.4%
Total	**333**	**100%**

Source: Author (2024)

4.3 Demographic Information

The study described the characteristics of the respondents including gender, age, employee of NHIF and level of education. This descriptive information was specific to this study to illustrate the distribution of the study respondents

4.3.1 Gender Analysis

The descriptive statistics presented in Figure 4.1 of the study show that out of the 215 respondents, 129 (60%) who are the majority were male respondents while 86 (40%) were female. The results, therefore, indicate that the two genders were fairly represented in the study since no gender was more than two-thirds. However, the descriptive statistic evidence suggests that the male gender could be dominating when it comes to the process of budgeting.

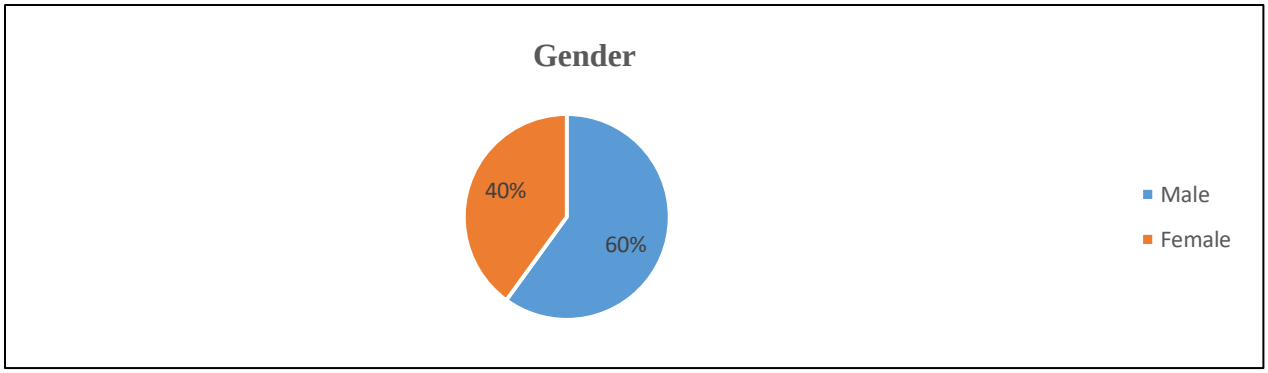


Figure 4.1 Gender Analysis Results

4.3.2 Age Analysis

Additionally, the descriptive findings reveal that the majority of the respondents for this study, the findings of the study showed 17(7.9%) of the respondents of were below the age of 20 years, 39(18.1%) of the respondents were between 21-30 years, 122(56.7%) of the respondents were between the age 31-40 years, 25(11.6%) of the respondents were between the age were 41-50 years, and above 12(5.7%) of the respondents above the age of 50 years.

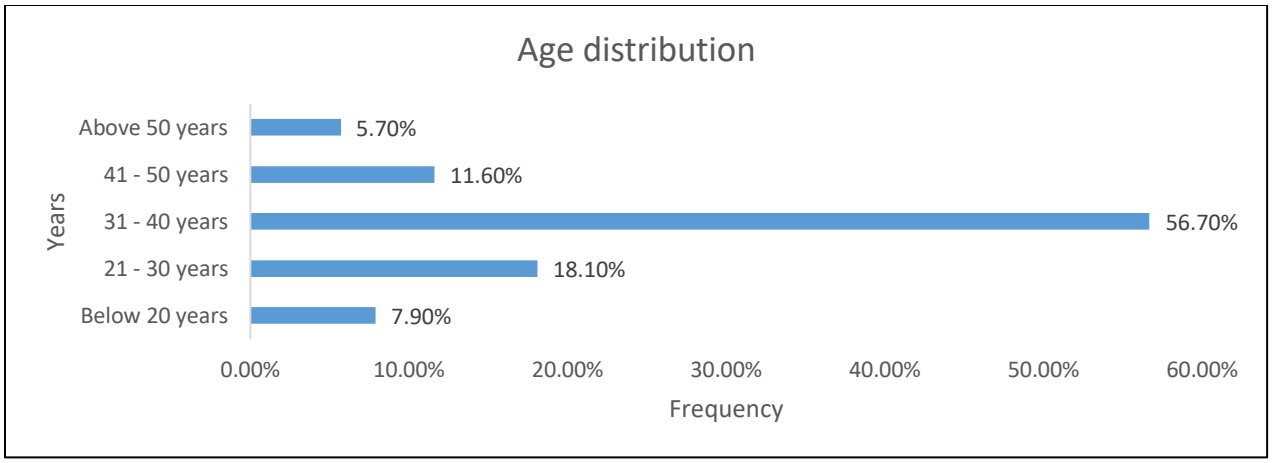


Figure 4.2 Age Distribution Analysis Results

4.3.3 How Long Have you been an Employee of NHIF.

These descriptive statistics illustrate on how long have you been an employee of NHIF. The study established the duration of respondents as an employee of NHIF. The study findings established that 95(44.2%) of the respondents were less than 10 years, 73(34%) of the respondents were below 11-15 years, 29(13.5%) of the respondents 16-20 years and 18(8.3%) of the respondents were over 21 years. The findings imply that the majority of the respondents, therefore, have how you been an employ at NHIF in Figure 4.3 of the study.

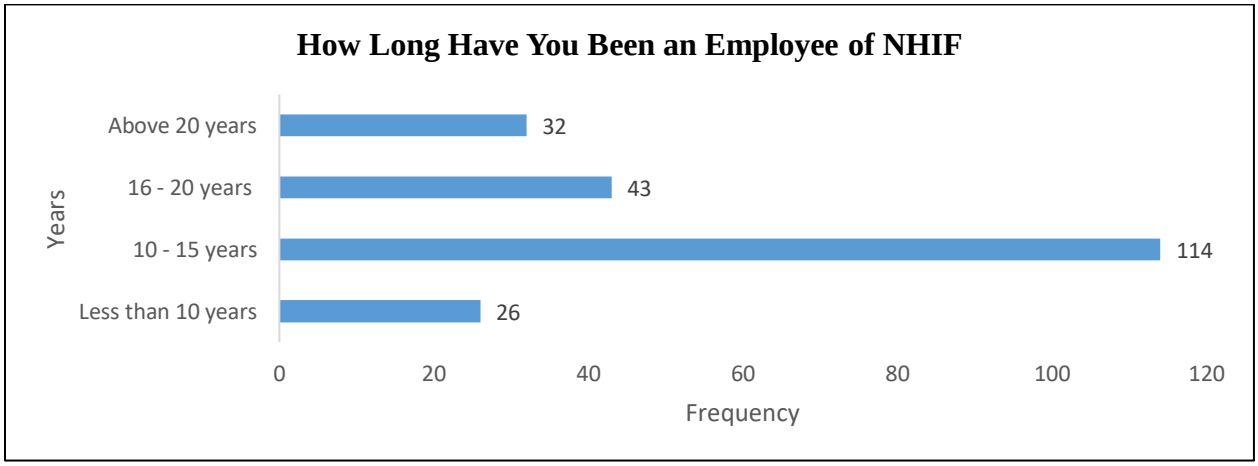


Figure 4.3 How Long Have You Been an Employee of NHIF Results

4.3.4 Level of Education Analysis

Finally, under demographic information, the study indicated that the majority of the respondents, 138 (64%), were degree holders while 77 (36%) of the remaining participants were diploma holders. No respondents had either secondary or primary as their final level of education. This descriptive analysis shows that both categories of the education level were represented in the study. However, evidence suggests that most employees in the telecommunication industry are degree holders. The findings are presented in Figure 4.4 of the study.

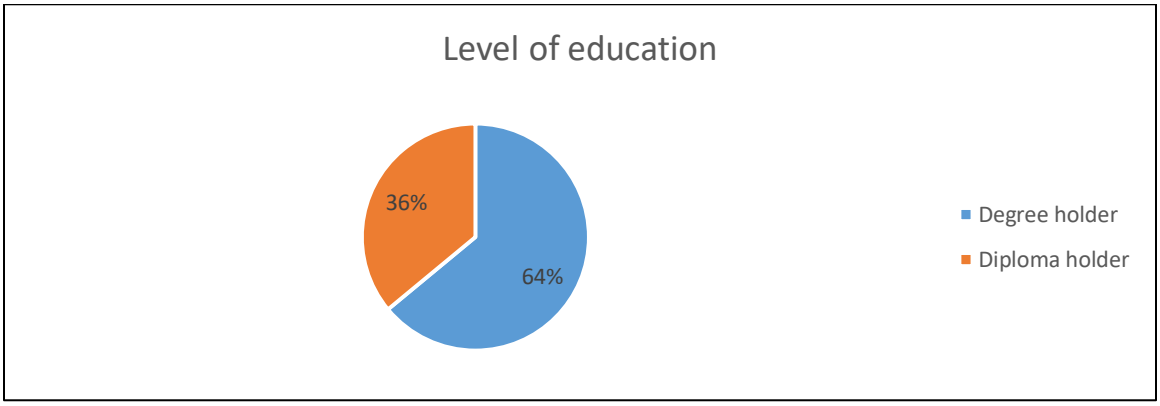


Figure 4.4 Level of Education Analysis Results

4.4 Budgetary Control On Financial Performance of Parastatals in Kenya

This section presents the descriptive findings of each variable of the study i.e. budget planning, budget monitoring and evaluation, and budget review as independent variables and financial performance as the dependent variable. The objective was to depict respondents' level of agreement (on a scale of 1-5 where 5-strongly agree [SA], 4-agree [A], 3-neutral [N], 2-disagree [D], and 1-strongly disagree [SD]) with various constructs under each variable of the study using frequency, percentages, mean, and standard deviation. Also, a composite mean was established to indicate respondents' overall level of agreement. A composite mean above 3.0 suggested that respondents agreed while below 3.0 suggested that respondents disagreed as discussed below.

4.4.1 Budget Planning on Financial Performance

The study aimed to determine the effect of budget planning on financial performance of parastatals in Kenya; a case of NHIF, using a 5-point Likert scale where 5-Strongly Disagree (SD), 4-Disagree (D), 3-Neutral (N), 4-Agree (A) and 5-Strongly Agree (SA). The results in Table 4.3 the responses had a composite mean of 3.16>3.0 set benchmark. In statement (1) " NHIF's adherence to budget planning positively impacts its overall performance," out of 215, 40(19%) of the respondents strongly agreed, 74(34%) of the respondents agreed, 45(21%) of the respondents were neutral, 29(13%) of the respondents disagreed, and 27(13%) of the respondents strongly disagreed with a mean of 3.36 and standard deviation 0.311. A mean higher than the composite mean suggest that majority of the respondents agreed with the statement. In statement (2) " NHIF effectively allocates resources based on its budget plan," out of 215, 33(15%) of the respondents strongly agreed with the statement, 80(37%) of the respondents agreed with the statement, 51(24%) of the respondents were neutral, 30(14%) of the respondents disagreed, 21(10%) of the respondents strongly disagreed with the statement with a mean of 2.97 and standard deviation 0.343. A mean lower than the composite mean suggest that majority of the respondents did not fully agree with the statement.

In statement (3) "NHIF's budget planning process is transparent and inclusive," out of 215, 33(15%) of the respondents strongly agreed with the statement, 71(33%) of the respondents agreed with the statement, 64(30%) of the respondents were neutral, 26(12%) of the respondents disagreed, 18(8%) of the respondents strongly disagreed with the statement with a mean of 3.34 and standard deviation 0.142. A mean higher than the composite mean suggest that majority of the respondents agreed with the statement. In statement (4) "NHIF's budget planning enables efficient cost management and resource utilization," out of 215, 43(20%) of the respondents strongly agreed with the statement, 96(20%) of the respondents agreed, 55(26%) of the respondents were neutral,

12(6%) of the respondents disagreed, 9(4%) of the respondents strongly disagreed with the statement with a mean of 3.21 and standard deviation .261. A mean higher than the composite mean suggest that majority of respondents agreed with the statement. In statement (5) " NHIF's budget planning fosters accountability and responsibility among the stakeholders," out of 215, 39(18%) of the respondents strongly agreed with the statement, 83(39%) of the respondents agreed , 47(22%) of the respondents were neutral, 33(15%) of the respondents disagreed, 12(6%) of the respondents strongly disagreed with a mean of 3.28 and standard deviation 0.325. A mean higher than the composite mean suggest that majority of the respondents agreed with the statement.

Table 4.2 Budget Planning Descriptive Results

Budget Planning	**5**	**4**	**3**	**2**	**1**	**Mean**	**Std. Dev**
NHIF's adherence to budget planning positively impacts its overall performance.	40(19%)	74(34%)	45(21%)	29(13%)	27(13%)	3.36	0.311
NHIF effectively allocates resources based on its budget plan.	33(15%)	80(37%)	51(24%)	30(14%)	21(10%)	2.97	0.343
NHIF's budget planning process is transparent and inclusive.	33(15%)	71(33%)	64(30%)	26(12%)	18(8%)	3.34	0.142
NHIF's budget planning enables efficient cost management and resource utilization.	43(20%)	96(20%)	55(26%)	12(6%)	9(4%)	3.21	0.261
NHIF's budget planning fosters accountability and responsibility among the stakeholders.	39(18%)	83(39%)	47(22%)	33(15%)	12(6%)	3.28	0.325
NHIF's budget planning contributes to the achievement of its strategic goals and objectives.	20(9%)	67(31%)	59(27%)	47(22%)	22(10%)	3.09	0.192
NHIF's budget planning process is flexible enough to adapt to	27(13%)	69(32%)	61(28%)	31(14%)	27(13%)	3.16	0.352

changing circumstances on needs.							
NHIF's budget planning aligns with its mission and vision enhancing its organizational performance.	34(16%)	57(27%)	69(32%)	39(18%)	16(7%)	2.89	0.272
Composite Mean/Standard Deviation						**3.16**	**0.275**

*Frequency percent are in Parenthesis

Source: Author (2024)

In statement (6) " NHIF's budget planning contributes to the achievement of its strategic goals and objectives," out of 215, 20(9%) of the respondents strongly agreed with the statement, 67(31%) of the respondents agreed with the statement, 59(27%) of the respondents were neutral, 47(22%) of the respondents disagreed, 22(10%) of the respondents strongly agreed with a mean of 3.09 and standard deviation 0.352. A mean lower than the composite mean suggest that majority of the respondents did not agree. In statement (7) " NHIF's budget aligns with its missions and vision enhancing its organizational performance," out of 215, 34(16%) of the respondents strongly agree with the statement, 57(27%) of the respondents agreed with the statement, 69(32%) of the respondents were neutral, 39(18%) of the respondents disagreed, 16(7%) of the respondents strongly disagreed with a mean of 2.89 and standard deviation 0.272. A mean lower than the composite mean suggest that majority of the respondents did not fully agree with the statement.

4.4.2 Budget Monitoring and Evaluation on Financial Performance

The study aimed to determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF, using a 5-point Likert scale where 5-Strongly Disagree (SD), 4- Disagree (D), 3-Neutral (N), 4-Agree (A) and 5-Strongly Agree (SA). The results in Table 4.3 the responses had a composite mean of 3.1>3.0. In a statement (1) "NHIF's effectively monitors its budget allocation," out 215, 44(20%) of the respondents strongly agreed

with the statement, 85(40%) of the respondents agreed, 51(24%) of the respondents were neutral, 21(10%) of the respondents disagreed, 14(7%) of the respondents strongly disagreed with a mean of 3.46 and standard deviation 0.305. A mean higher than the composite mean suggest that majority of respondents agreed with the statement.

Statement (2) " The NHIF conduct thorough evaluations of its budgetary performance," out of 215, 29(13%) of the respondents strongly agreed with the statement, 73(34%) of the respondents agreed with the statement, 66(31%) of the respondents were neutral, 21(10%) of the respondents disagreed, 15(7%) of the respondents strongly disagreed with a mean of 3.05 and standard deviation -.319. A mean lower than the composite mean suggest that majority of the respondents did not agree with the statement. In statement (3) " Budget monitoring and evaluation process are aligned with NHIF's objectives," out of 215, 47(22%) of the respondents strongly agreed with the statement, 76(35%) of the respondents agreed with the statement, 30(34%) of the respondents were neutral, 37(17%) of the respondents disagreed, 25(12%) of the respondents strongly diagreed with a mean of 3.11 and standard deviation 0.214. A mean equal to the composite mean suggest that majority of the respondents agreed with the statement.

In statement (4) " Budget monitoring and evaluation contributed significantly to improving NHIF's performance," out of 215, 41(19%) of the respondents strongly agreed with the statement, 69(32%) of the respondents agreed, 59(27%) of the respondents were neutral, 34(16%) of the respondents disagreed, 12(6%) of the respondents strongly disagreed with the statement with a mean of 3.03 and standard deviation 0.222. A mean lower than the composite mean suggest that majority of the respondents did not agree with the statement.

In statement (5) "NHIF demonstrates transparency and accountability through its budget monitoring and evaluation practices," out of 215, 39(18%) of the respondents strongly agreed with

the statement, 74(34%) of the respondents agreed with the statement, 53(25%) of the respondents were neutral, 30(14%) of the respondents disagree, 9(4%) of the respondents strongly disagreed with a mean of 2.99 and standard deviation 0.343. A mean lower than the composite mean suggest that majority of the respondents did not fully agree with the statement. In statement (6) " Budget monitoring and evaluation helps NHIF optimize its resources effectively," out of 215, 37(17%) of the respondents strongly agreed, 87(40%) of the respondents agreed, 46(21%) of the respondents were neutral, 25(12%) of the respondents disagreed, 20(9%) of the respondents strongly disagreed with a mean of 3.17 and standard deviation 0.189. A mean higher than the composite mean suggest that majority of respondents agreed with the statement.

In a statement (7) " Effective budgetary control mechanisms including monitoring and evaluation are adaptable to changing circumstances," out 215, 49(23%) of the respondents strongly agreed with the statement , 91(42%) of the respondents agreed with the statement, 52(24%) of the respondents were neutral, 20(9%) of the respondents disagreed and 3(1%) of the respondents strongly disagreed with a mean of 3.36 and standard deviation 0.302. A mean higher than the composite mean suggest that majority of the respondents agreed with the statement. In statement (8) "NHIF has a clear performance metrics that are supported but its budget monitoring and evaluation practices," out of 215, 63(29%) of the respondents strongly agree with the statement, 97(45%) of the respondents agreed with the statement, 33(15%) of the respondents is neutral, 17(8%) of the respondents agreed, and 5(2%) of the respondents strongly agreed with the statement with a mean 2.96 and standard deviation with 0.362. A mean lower than the composite mean suggest that majority of the respondents did not fully agree with the statement.

Table 4.3 Budget Monitoring and Evaluation Descriptive Results

Budget Monitoring and Evaluation	5	4	3	2	1	Mean	Std. Dev
NHIF's effectively monitors its budget allocation.	44(20%)	85(40%)	51(24%)	21(10%)	14(7%)	3.46	0.305
The NHIF conduct thorough evaluations of its budgetary performance.	29(13%)	73(34%)	66(31%)	21(10%)	15(7%)	3.05	0.319
Budget monitoring and evaluation process are aligned with NHIF's objectives.	47(22%)	76(35%)	30(14%)	37(17%)	25(12%)	3.11	0.214
Budget monitoring and evaluation contributes significantly to improving NHIF's performance.	41(19%)	69(32%)	59(27%)	34(16%)	12(6%)	3.03	0.222
NHIF demonstrates transparency and accountability through its budget monitoring and evaluation practices.	39(18%)	74(34%)	53(25%)	30(14%)	9(4%)	2.99	0.343
Budget monitoring and evaluation helps NHIF optimize its resource effectively.	37(17%)	87(40%)	46(21%)	25(12%)	20(9%)	3.17	0.189
Effective budgetary control mechanisms including monitoring and evaluation are adaptable to changing circumstances.	49(23%)	91(42%)	52(24%)	20(9%)	3(1%)	3.36	0.302
NHIF has a clear performance metrices that are supported but its budget monitoring and evaluation practices.	35(16%)	75(35%)	64(30%)	22(10%)	19(9%)	2.78	0.279
NHIF continuously improves its operations based on insights gained from budget monitoring and evaluation.	63(29%)	97(45%)	33(15%)	17(8%)	5(2%)	2.96	0.362
Composite Mean/Standard Deviation						**3.1**	**0.282**

*Frequency percent are in Parenthesis

Source: Author (2024)

4.4.3 Budget Review on Financial Performance

The study aimed to determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF, using a 5-point Likert scale where 5-Strongly Disagree (SD), 4- Disagree (D), 3-Neutral (N), 4-Agree (A) and 5-Strongly Agree (SA). The results in Table 4.4. In a statement (1) "The budget review process at NHIF helps in identifying deviations from planned targets," out 215, 33(15%) of the respondents strongly agree with the statement, 61(28%) of the respondents agreed with the statement, 58(27%) of the respondents were neutral, 41(19%) of the respondents disagreed, 22(10%) of the respondents strongly disagreed with a mean of 3.10 and 0.239. In statement (1)" The budget review processes of NHIF helps in identifying deviation from planned targets," out of 215, 33(15%) of the respondents strongly agree with the statement, 61(28%) of the respondents agreed, 58(27%) of the respondents were neutral, 41(19%) of the respondents disagreed, 22(10%) of the respondents strongly disagreed with a mean of 3.10 and standard 0.239. A mean lower than the composite mean suggest that majority of the respondents did not fully agree with the statement.

In a statement (2) " Budget review at NHIF are conducted in a timely manner allowing for proactive adjustments," out 215, 31(14%) of the respondents of the respondents strongly agree with the statement, 64(30%) of the respondents agreed with the statement. 57(27%) of the respondents were neutral, 46(21%) of the respondents disagreed, and 17(8%) of respondents strongly disagreed with a mean of 3.24 and standard deviation 0.119. A mean higher than the composite mean suggest majority of the respondents agreed with the statement. In statement (3) " Budget reviews at NHIF ensures that budget allocations align with organizational goals and objectives," out

Table 4.4 Budget Review on Financial Performance

Budget Review	5	4	3	2	1	Mean	Std. Dev
The budget review process at NHIF helps in identifying deviations from planned targets.	33(15%)	61(28%)	58(27%)	41(19%)	22(10%)	3.10	0.239
Budget review at NHIF are conducted in a timely manner allowing for proactive adjustments.	31(14%)	64(30%)	57(27%)	46(21%)	17(8%)	3.24	0.119
Budget reviews at NHIF ensures that budget allocations align with organizational goals and objectives.	40(17%)	69(32%)	60(28%)	33(15%)	13(6%)	3.54	0.362
NHIF demonstrates flexibility in adjusting budget based on changing circumstances identified during reviews.	41(19%)	71(33%)	59(27%)	40(19%)	4(2%)	3.12	0.321
Budget reviews at NHIF helps in improving the accuracy of future budget projections.	41(19%)	77(36%)	30(14%)	39(18%)	28(13%)	3.40	0.162
Effective budget review process positively impact the financial performance of NHIF.	47(22%)	84(39%)	40(19%)	27(13%)	17(8%)	3.23	0.339
Regular budget reviews contribute to enhancing efficiency within NHIF.	38(18%)	66(31%)	44(20%)	37(17%)	30(14%)	3.06	0.313
Budget reviews at NHIF lead to improvements in the quality and accessibility of healthcare services provided.	29(13%)	59(27%)	55(26%)	44(20%)	29(13%)	3.25	0.314
Employees at NHIF feel that effective budget reviews positively impact their satisfaction and morale.	42(20%)	73(34%)	51(24%)	37(17%)	12(6%)	3.02	0.310
Composite Mean/Standard Deviation						**3.23**	**2.21**

*Frequency percent are in Parenthesis

Source: Author (2024)

4.4.4 Financial Performance

The study aimed to determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF, using a 5-point Likert scale where 5-Strongly Disagree (SD), 4- Disagree (D), 3-Neutral (N), 4-Agree (A) and 5-Strongly Agree (SA). The results in Table 4.5.

Table 4.5 Financial Performance Descriptive Results

Financial Performance	**5**	**4**	**3**	**2**	**1**	**Mean**	**Std. Dev**
To what extent do you agree that implementation of budgetary control positively affects the financial performance of NHIF.	40(19%)	58(27%)	51(24%)	39(18%)	27(13%)	3.02	0.112
How strongly do you believe that adherence to budgetary control measures enhances the efficiency of financial resources allocation within NHIF?	29(13%)	60(28%)	71(33%)	35(16%)	20(9%)	3.16	0.342
In your opinion, does effective budgetary control contributes to better financial planning and forecasting at NHIF?	42(20%)	65(30%)	53(25%)	29(13%)	26(12%)	3.36	0.239
To what extent do you agree that budgetary control helps in identifying and addressing financial inefficiencies within NHIF?	41(19%)	59(27%)	66(31%)	32(31%)	17(8%)	3.31	0.181
How much do you agree that the implementation of budgetary controls leads to improved financial accountability and transparency within NHIF?	47(22%)	69(32%)	48(22%)	36(17%)	15(7%)	3.24	0.317
Do you believe that a robust budgetary control system is essential for NHIF to achieve its financial targets and goals?	31(14%)	57(27%)	64(30%)	41(19%)	22(10%)	3.08	0.128
Composite Mean/Standard Deviation						**3.2**	**0.2198**

Source: Author (2024)

4.5 Inferential Statistics

Generally, the inferential statistics analysis was conducted to determine the correlation and regression analysis of the study.

4.5.1 Diagnostic Tests

Before conducting inferential analysis, diagnostic tests were performed to ensure that the linear regression assumptions are met. These tests evaluate the normality of data distribution, absence of serial autocorrelation, multicollinearity among independent variables, heteroscedasticity, and model stability.

4.5.1.1 Serial Autocorrelation Test

The Durbin-Watson test assessed whether the residuals of the study exhibit autocorrelation. The results are as follows:

Model: performance of NHIF Std. Error of the Estimate: 0.4206 Durbin-Watson Statistic: 1.861. The Durbin-Watson statistic falls within the range of 1.5 to 2.5, indicating no significant serial autocorrelation in the residuals.

Table 4.6 Serial Autocorrelation Test

Statistic	Value
Std. Error of the Estimate	0.4206
Durbin-Watson Statistic	1.861

Source: Field Data (2024)

4.5.1.2 Multicollinearity Test

Multicollinearity was tested using Variance Inflation Factor (VIF) to examine the correlation among independent variables.

Model: Performance of NHIF **Collinearity Statistics**: All independent variables have VIF values below 4.8, indicating no significant correlation among them.

Table 4.7 Multicollinearity Test

Independent Variables	Tolerance	VIF
Budget Planning	0.816	1.423
Budget Monitoring and Evaluation	0.802	1.249
Budget Review	0.907	1.352

Source: Field Data (2024)

4.5.1.3 Normality Test

A test for normality was conducted to assess if the residuals of the regression model are normally distributed.

Table 4.8: Normality Test Results

Statistic	**df**	**Sig.**
Shapiro-Wilk	0.975	0.423

Source: Author (2024

The Shapiro-Wilk test returned a p-value (Sig.) greater than 0.05, indicating that the residuals are normally distributed.

4.5.1.4 Heteroscedasticity Test

The presence of heteroscedasticity, where the variance of the residuals is not constant across levels of the independent variables, was examined.

Table 4.9: Heteroscedasticity Test Results

Test	Statistic	df	Sig.
Breusch-Pagan	1.921	4	0.589

Source: Field Data (2024)

The Breusch-Pagan test returned a p-value (Sig.) greater than 0.05, indicating no significant heteroscedasticity.

4.5.1.5 Model Stability Test

A test for model stability assessed whether the regression coefficients remain consistent across different datasets or over time.

Table 4.10: Model Stability Test Results

Test	F-Statistic	df1	df2	Sig.
Chow Test	1.532	3	96	0.217

Source: Field Data (2024)

The Chow test returned a p-value (Sig.) greater than 0.05, indicating that the regression coefficients remain consistent across different datasets or over time. These systematic diagnostic tests ensure the reliability and validity of the regression analysis, providing a solid foundation for making inferences from the study model.

4.5.2 Correlation Analysis

Correlation, in particular, provided the strength of the linear relationship between the independent and dependent variables of the study. The Pearson Correlation Coefficient was used. According to Pearson Correlation Coefficient, -1 depicts a weak negative correlation while +1 depicts a strong perfect correlation. Regression analysis, on the other hand, was conducted to establish the relationship between study variables. Partiucularly, the regression analysis model aimed to test the hypothesis of the study. The findings on both correlation and regression analysis was independently discussed below.

Table 4.11 summarizes the strength of the linear relationship between predictors and outcome variables of the study at a 0.01 significance level. The results indicate that all the three independent variables of the study (i.e. budget planning budget monitoring and evaluation and budget review) had strong and positive Pearson Correlation coefficients ranging between 0.5 and +1 suggesting a strong linear correlation. Specifically, the study established a positive and significant correlation between budget planning on financial performance at ($r = 0.663, p = 0.000 < 0.05$). Also, the study reported a positive and significant correlation between budget monitoring and evaluation on financial performance at ($r = 0.539, p = 0.000 < 0.05$). Lastly, the study demonstrated a

positive and significant correlation between budget review on financial performance ($r = 0.628, p = 0.000 < 0.05$).

Of the three independent variables of the study, results indicate that budget planning shad the highest positive and significant correlation coefficient. And so, the findings of this study as reported in Table 4.11 depicts that positive changes in the budgetary controls has an influence on the financial performance of parastatals in Kenya.

Table 4.11 Correlation Analysis Results

Variables		Financial Performance	Budget Planning	Budget Monitoring and Evaluation	Budget Review
Financial Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	215			
Budget Planning	Pearson Correlation	0.663**	1		
	Sig. (2-tailed)	0.000			
	N	215	215		
Budget Monitoring and Evaluation	Pearson Correlation	0.539**	0.511**	1	
	Sig.(2-tailed)	0.000	0.000		
	N	215	215	215	
Budget Review	Pearson Correlation	0.628**	0.543**	0.412**	1
	Sig.(2-tailed)	0.000	0.000	0.000	
	N	215	215	215	215

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

Source: Author (2024)

4.6 Hypothesis Testing

This section uses regression analysis of each research objectives to test the significance of the proposed hypothesis of the study.

4.6.1 Budget planning on Financial Performance

The first hypothesis of the study stated that there is no statistically significant relationship between budget planning on financial performance of parastatals in Kenya; a case of NHIF. The results

indicated that in Table 4.8 regression model summary outcomes reveals an R-Square ($\mathbf{R^2}$) OF 0.469. This suggests that 46.9% of changes in the financial performance of parastatals in Kenya are as a result of variance in budget planning on financial performance. Further, the analysis of variance (ANOVA) test provided in Table 4.12 shows that the model is significant for explaining the effect of budget planning on financial performance of parastatals at ($Sig = 0.000 < 0.05$) level of significance.

Table 4.12: ANOVA Table

Model Summary & ANOVA	Adjusted R-Square	F-Statistics	Sig.
1	0.469	8.193	0.000

Source: Author (2024)

Subsequently, the study established regression coefficient results suggest that is if all factors are held constant, there will be a positive financial performance of parastatals in Kenya by 0.532. However, positive change in the budgetary control such as budget planning results in improvement in the financial performance of parastatals in Kenya by 0.519. The outcome of this study, therefore, shows that there is a positive and significant relationship between budget planning on financial performance in Kenya $\beta = 0.519, p = 0.000 < 0.05$). And so, the findings in Table 4.9 rejected the stated null hypothesis and concluded that budget planning has a significant and positive relationship o financial performance of parastatals in Kenya.

Table 4.13: Regression Summary Results of Budget Planning on Financial Performance

	Regression Coefficient Results				
	Unstandardized Coefficient			**Standardized Coefficient**	
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1(Constant)	0.532	0.384		2.01	0.000
Budget Planning	0.519	0.425	0.462	1.036	0.000

a. Dependent Variable: Financial Performance of Parastatals

Source: Author (2024)

4.6.2 Budget Monitoring and Evaluation on Financial Performance

The second hypothesis to test for this specific objective of the study was that there is no statistically significant relationship between budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF. The findings provided in Table 4.10 show model summary, ANOVA, and regression coefficient results. Particularly, the model summary results revealed an adjusted R-Square **(R^2)** of 0.351 indicating that 35.1% of changes in the financial performance of parastatals in Kenya are caused by changes in the budget monitoring and evaluation. Also, the ANOVA results revealed F – Statistic of 13.126 and a significance or p-value of 0.000 < 0.05. This shows that the model was significant (i.e. at 0.01 and 0.05 level of significance) for making study conclusions.

Table 4.14: ANOVA Table

Model Summary & ANOVA	Adjusted R-Square	F-Statistics	Sig.
1	0.351	13.126	0.000

Source: Author (2024)

Accordingly, the regression coefficient result section of Table 4.11 further reveals that if all factors are held constant, the financial performance of parastatals would remain would remain positive at 0.409. However, positive execution of budget monitoring and evaluation would results in better financial performance of parastatals by 0.327. As such, the study reports a positive and significant relationship between budget monitoring and evaluation on financial performance (B = 0.327, p = 0.003 < 0.05). The findings imply that there is a positive and significant effect of budget monitoring and evaluation on financial performance. The study, thus, rejects the stated null

hypothesis and concludes that budget monitoring and evaluation has appositive and significant effect on the financial performance of parastatals in Kenya; a case of NHIF.

Table 4.15: Regression Summary Results of Monitoring and Evaluation on Financial Performance

	Regression Coefficient Results				
	Unstandardized Coefficient			Standardized Coefficient	
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1(Constant)	0.409	0.391		1.908	0.000
Budget Planning	0.327	0.316	0.320	1.104	0.003

a. Dependent Variable: Financial Performance of Parastatals

Source: Author (2024)

4.6.3 Budget Review on Financial Performance

The third and final stated null hypothesis of the study was that there is no statistically significant relationship between budget review on financial performance of parastatals in Kenya. The output summary regress results in Table 4.16 shows that regarding the model summary, the established R-Square ($\mathbf{R^2}$) of 0.415 suggest that budget review causes about 41.5% changes in the financial performance of parastatals in Kenya. Importantly, the study also reports the ANOVA results with F-Statistics of 11.693.

Table 4.16: ANOVA Findings

Model Summary & ANOVA	**Adjusted R-Square**	**F-Statistics**	**Sig.**
1	0.415	11.693	0.000

Moreover, Table 4.17 further reported the regression coefficient result. The findings indicate that when all factors are held constant, the performance of the parastatals would stand at 0.457. However, an increase in the implementation of budget review an aspects of budget control would cause the finance performance of parastatals in Kenya to increase by 0.509. These findings show

a positive and significant relationship between budget review and financial performance of parastatals in Kenya (B = 0.509, p = 0.013 < 0.05). Thus, there is a positive and significant effect of budget review on financial performance of parastatals in Kenya. Based on the findings, this study rejected the stated null hypothesis and concluded that budget review strategic has a significant effect on the performance of parastatals in Kenya.

Table 4.17 Regression Summary Results on Budget Review of Financial Performance

	Regression Coefficient Results				
	Unstandardized Coefficient			Standardized Coefficient	
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1(Constant)	0.457	0.411		2.314	0.000
Budget Review	0.509	0.400	0.431	1.762	0.013

a. Dependent Variable: Financial Performance of Parastatals

Source: Author (2024)

4.7 Overall Regression Output Model

This section reports the established multiple regression model output of the study. It provides model summary output, ANOVA output, and regression coefficient output. The objective is to illustrate the overall equation model of the study.

Table 4.18 Model Summary Output Results

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	0.721[a]	0.613	0.592	0.41625

a. Predictors: (Constant), budget planning, budget monitoring and evaluation, budget review

Source: Author (2024)

The results in Table 4.19 point to the model summary output. An R of 0.721 signifies a positive and significant strength in the linear relationship between the independent and dependent variables of the study. The established overall R-Square **(R^2)** of 0.614 (Multiple squares derived from 32.611/53.10 in the ANOVA summary output) indicates that the independent variables of the study (i.e. budget planning, budget monitoring and evaluation and budget review) explain 61.4%

variability in the dependent variable (i.e. financial performance of parastatals in Kenya). The findings depict that about 38.6% of other changes in the financial performance of parastatals could be as a result of other budget controls measures not included in the study.

Table 4.19 ANOVA Overall Model Output Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 **Regression**	32..611	3	10.290	33.849	0.000[b]
Residual	20.489	211	0.304		
Total	53.10	214			

a. Dependent Variable: Financial Performance of Parastatals in Kenya

b. Predictors: (Constant), Budget Planning, Budget Monitoring and Evaluation, Budget Review

Source: Author (2024)

Likewise, the ANOVA overall model output in Table 4.16 validated how well the model fits the study in describing the overall effect of budgetary controls on financial performance of parastatals in Kenya; a case of NHIF. The results report that the F – Statistics is equal to 10.290/0.304 = 33.849. The distribution is F (3.211), and the significance level is 0.000 < 0.001 significance level. Thus, the findings suggest that there is strong evidence that the model fits the study in making a study conclusion. Lastly, Table 4.20 illustrates the overall regression coefficient results of the study.

Table 4.20 Overall Regression Coefficients Output Results

	Coefficients				
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.506	0.433		11.902	0.000
Budget Planning	0.516	0.418	0.430	4.263	0.000
Budget Monitoring and Evaluation	0.261	0.192	0.201	2.249	0.001
Budget Review	0.342	0.244	0.295	2.498	0.010

a. Dependent Variable: Financial Performance of Parastatals

Source: Author (2024)

The results indicate that all the independent variables included in the study (i.e. budget planning, budget monitoring and evaluation and budget review) had positive regression coefficients. For instance, the study established a positive and significant effect of budget planning (B = 0.516, p = 0.000 < 0.05), budget monitoring and evaluation (B = 0.261, p = 0.001 < 0.05), and budget review (B = 0.342, p = 0.010 < 0.05) on financial performance of parastatals in Kenya. The study, therefore, rejected the stated null hypotheses and conclude that there is a significant effect of budgetary controls on financial performance of parastatals in Kenya.

The overall equation model of the study, therefore, is as follows:

$$Y = 1.506 + 0.516X_1 + 0.261X_2 + 0.342X_3$$

As illustrated in the equation model, X_1, X_2, and X_3 represent budget planning, budget monitoring and evaluation, and budget review respectively. The output in Table 4.12 shows that if all factors are held constant, the overall financial performance of parastatals in Kenya is 1.506. However, if there are significant formulation and execution of various budgetary controls practices such as budget planning, budget monitoring and evaluation, and budget review on the financial performance of parastatals would positively increase by 0.516, 0.261, and 0.342 respectively. Of the budgetary controls included in the study, results show that budget planning had the highest positive and significant effect on the financial performance of parastatals in Kenya.

4.7 Test of Hypothesis

In testing the hypotheses regarding the influence of various budgetary controls on financial performance of parastatals in Kenya; a case of National Hospital Insurance Fund, the findings from the regression analysis provide insights into each strategy's impact. These findings are crucial for understanding how budget planning, budget monitoring and evaluation, and budget review to contribute to performance of parastatals outcomes.

H_{01}: There is no statistically significant relationship between budget planning on financial performance of parastatals in Kenya; a case of NHIF.

H_{02}: There is no statistically significant relationship between budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF.

H_{03}: There is no statistically significant relationship between budget review on financial performance of parastatals in Kenya; a case of NHIF.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study in relation to its main objectives and the theoretical framework, and draws conclusions. It also covers summary of the study objectives. The chapter goes further to make conclusions and make recommendations.

5.2 Summary of Findings

Budgetary control significantly impacts the financial performance of parastatals in Kenya by providing a structured framework for financial management, enhancing accountability, and providing efficient resource allocation. Ideally, budgetary control involves the need for preparation, implementation, and monitoring of a budget. For Kenyan parastatals, this process ensures that financial activities align with strategic objectives. By setting financial targets and limits, budgetary control helps in planning and controlling expenditures, thereby preventing overspending and promoting fiscal disciplines. The study sought to establish three objectives; to establish the effect of budget planning on financial performance of parastatals in Kenya; a case of NHIF; to determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF; and finally, to establish the effect of budget review on financial performance of parastatals in Kenya; a case of NHIF.

Strategic human resource management practices has remained to be the biggest challenge for many organization in enhancing their performance. This study sought to establish how human resource management practices influence performance on telecommunication industries in Kenya; a case of Safaricom Limited. The study had three objectives; to determine the influence of strategic personnel training, strategic level of employment security and strategic work culture on

performance of telecommunication industries in Kenya; a case of Safaricom Limited. The study also established that majority of the respondents were males 129 while females were 86. This is based on the descriptive findings where respondents agreed that budgetary controls enhances the financial performance of parastatals in Kenya. The study also determined that of the three variables of the study, budget planning had the highest significant positive correlation and relationship on financial performance of parastatals in Kenya. This was followed by budget monitoring and evaluation and budget review.

5.3 Discussion

The discussion of the study is based on the objectives of the research study.

5.3.1 Budget Planning on Financial Performance

Budget planning are crucial aspect of public financial management. As a matter of fact, effective budget planning ensures that these entities operate efficiently, achieve their mandate, and contribute to the broader economic and social objectives of the government. As a matter of fact, parastatals should align their budgets within the strategic objectives and goals on government. This involves clear identification of priorities and desired outcomes. Based on the descriptive findings, the study established that on overall, the respondents agreed that budget planning has an impact on financial performance of parastatals in Kenya. Additionally, the study indicated that there was a positive correlation between budget planning on financial performance of parastatals in Kenya; a case of NHIF. The findings concurs with a study by Apunda and Ndede, (2020) who clearly highlighted that budget planning enhances the performance of parastatals in Kenya

As a result, the findings of this study was backed by findings of Damayanti and Trisnaningsih, (2023) conducted a study on the analysis of the behavioral aspects on project planning and implementation at CV Karya Jaya in Surabaya. Further, the success of a budget plan lies in the behavior of the manager or head of the company. CV Karya Jaya is an expansion of a business

engaged in construction, such as repairing plumbing (PDAM partners), paving roads, and other construction matters, so that for the aspect of budgeting with capital that is already owned from the profits of several types of ongoing businesses. This study aims to analyze behavioral factors in project planning and budgeting. The study findings was that the work was carried out correctly and according to the completion target, but several projects experienced losses due to improper budget planning and implementation. Although it differs among companies, the study focused on planning as the direction of the company over a period of time to accomplish a desired result. The managers ensure that there is a link on the short-term, intermediate-term, and long-term goals. The current study will base much prominence on the annual plan which may be based on the long-term plan which is aimed at improving profitability.

The study further tested the hypothesis using the regression analysis. From the study, it was estimated that there was a significant relationship between budget planning on financial performance of parastatals in Kenya; a case of NHIF.

5.3.2 Budget Monitoring and Evaluation on Financial Performance

The second objective of the study was to determine the effect of budget monitoring and evaluation on financial performance of parastatals in Kenya; a case of NHIF. Budgeting M&E are crucial processes in financial management, ensuring that allocated funds are used effectively and objectives are met. These processes help organizations to keep track of their financial activities, make informed decisions, and ensure accountability. Ideally, budget M&E foster accountability and transparency within organizations. By regularly reviewing financial activities, stakeholders can ensure that funds are being used as intended and that any discrepancies are promptly addressed. As a result, the findings of this study was backed by findings of Damayanti and Trisnaningsih, (2023) on significance of budget M&E on financial performance.

Additionally, the study indicated that there was a positive correlation between budget M&E on financial performance of parastatals in Kenya; a case of NHIF. As a result, the findings if this study are in agreement with the findings of previous studies such as Ogbu and Edeh (2019) whose findings indicated that there is a positive correlation between budget M&E on financial performance. The study further tested the hypothesis using the regression analysis. From the study, it was estimated that there was a significant relationship between budget monitoring and evaluation on financial performance. The study further indicated that budget monitoring and evaluation on financial performance was accepted while null hypothesis rejected. The findings therefore concurred with the findings of Muange, Ouma, and Wanyama, (2020) that there exist a positive relationship between budget monitoring and evaluation on financial performance.

5.3.3 Budget Review on Financial Performance

Budget review normally helps in identifying areas where resources are insufficient or over-allocated for adjustments that ensure optimal use of funds. Ideally, the resources can be allocated from less critical areas to priority projects, enhancing overall operational efficiency. Based on the descriptive findings of the study, the results revealed that respondents agreed that budget review enhances the financial performance of parastatals in Kenya. The findings agreed with the findings of Paais and Pattiruhu (2020) whose study findings concluded that budget review enhances financial performance.

The study performed a correlation analysis between budget review on financial performance of parastatals in Kenya; a case of NHIF. The results established that there was a positive correlation between budget review on performance. The findings collaborate with the findings of by Keng'ara and Makina, (2020) who did a study on the extent to which budget review determines performance of organizations. His findings pointed out that there was a significant correlation between budget review on financial performance. From the regression analysis, the study established that there is

a statistically significant relationship between budget review on financial performance of parastatals in Kenya; a case of NHIF. Further, the study indicated that the results had a p-value below the recommended level of significance. Alternative hypothesis indicated that there was a statistical significant relationship between budget review on financial performance of parastatals in Kenya; a case of NHIF.

5.4 Conclusions

The study on the effect of budgetary control on the financial performance of parastatals in Kenya, with a specific focus on the National Hospital Insurance Fund (NHIF), draws several critical conclusions:

Positive Impact of Budgetary Control: The research reveals that effective budgetary control significantly enhances the financial performance of NHIF. Properly implemented budgetary processes ensure that resources are allocated efficiently, reducing wastage and ensuring that funds are used in alignment with organizational goals.

Role of Budget Planning: Detailed and strategic budget planning is essential. The study highlights that when NHIF engages in thorough budget planning, involving clear objectives and forecasting, it leads to better financial outcomes. This involves setting realistic targets, anticipating future needs, and preparing for potential financial challenges.

Monitoring and Evaluation: Regular monitoring and evaluation of budget implementation play a crucial role in improving financial performance. The findings suggest that continuous review and assessment of budget adherence allow NHIF to make necessary adjustments promptly, thereby avoiding financial discrepancies and enhancing accountability.

Stakeholder Involvement: The involvement of various stakeholders in the budgetary process is another key factor contributing to improved financial performance. When employees,

management, and other stakeholders participate in budget planning and control, it fosters a sense of ownership and responsibility, leading to more prudent financial management.

5.5 Recommendations of the Study

Based on the above findings, the researcher would like to recommend the following;

5.5.1 Recommendation for Policy maker

The study recommends the need for strengthening regulatory frameworks that are aimed at enhancing stringent regulations and guidelines for budgetary contralto ensure transparency and accountability in financial management. The study also ensures regularly updates these regulations to keep up with changing economic environment and organizational needs

5.5.2 Recommendation for Practice

To practice, the study recommends the need for enhancing internal control systems to prevent fraud, waste, and abuse. This includes implementing checks and balances, conducting regular internal audits, and ensuring compliance with financial regulations. The need for develop robust monitoring and evaluation framework to track the implementation of the budget and assess its impact on financial performance. The includes setting up key performance indicators and regular performance reviews.

5.6 Area of Further Studies

The study was conducted at NHIF. This limited the study coverage. The study also measured the viewpoints of beneficiaries and staff only thus eliminating the views of other government officials, which are considered critical for the study. The researcher clearly recommends that other studies be conducted on the same area in other NHIF for comparative results.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

25/04/2024

Africa Nazarene University,

P.O Box 53067-00200,

Nairobi.

Dear Respondents,

REF: REQUEST FOR QUESTIONNAIRE COMPLETION

I am a student of Master in Business Administration at Africa Nazarene University. I am conducting research on the effects of budgetary controls on financial performance of parastatals in Kenya; A Case of NHIF, Kenya. The study will be conducted in NHIF, Head Office Your feedback in filling the questionnaire will be of significance, since it is important for my passing the degree requirements. Kindly help me achieve this goal by completing the questionnaire given the best of your knowledge following the researcher. Your cooperation and assistance in this study is highly appreciated.

Caroline Randa

Signature: ----------Date: ----------

APPENDIX II: QUESTIONNAIRE FOR BENEFICIARIES

I am a postgraduate student at the University of Africa Nazarene University, pursuing a master's Degree in Business Administration (MBA). I am undertaking the research on the **"Effect Of Budgetary Controls On Financial Performance Of Parastatals in Kenya; A Case of NHIF,Kenya"**. I would be very grateful if you could answer the questions in the questionnaires provided as honestly as possible.

Instructions: Tick where appropriate ( )

Section A: Background Information

1 Gender Male **()** Female **( )**

2 Age **( )** Below 20 **( )** 21- 30 **( )** 31-40 **( )** 41-50 **( )** Above 50 **( )**

3 For how long have you been an employ at NHIF?

a) Less than 10 years

b) 10- 15 years

c) 16-20 years

d) 0ver 21 years

4 Level of education

a) Degree holder ( )

b) Diploma holder ( )

c) Secondary ( )

d) Primary ( )

Section B: Measurements of Study Variables

Instructions; Tick where appropriate

Measurement of Independent variables

1. **Budget Planning**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ NHIF's adherence to budget planning positively impacts its overall performance. ✓ NHIF effectively allocates resources based on its budget plan. ✓ NHIF's budget planning process is transparent and inclusive. ✓ NHIF's budget planning enables efficient cost management and resource utilization. ✓ NHIF's budget planning fosters accountability and responsibility among the stakeholders. ✓ NHIF's budget planning contributes to the achievement of its strategic goals and objectives. ✓ NHIF's budget planning process is flexible enough to adapt to					

changing circumstances or needs. ✓ NHIF's budget planning aligns with its mission and vision, enhancing its organizational performance. ✓ NHIF' budget planning enhances transparency and accountability in its financial operations.					
2. Budget Monitoring and Evaluation	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ NHIF's effectively monitors its budget allocation. ✓ The NHIF conduct thorough evaluations of its budgetary performance. ✓ Budget monitoring and evaluation processes are aligned with NHIF's objectives. ✓ Budget monitoring and evaluation contributes					

significantly to improving NHIF's performance. ✓ NHIF demonstrates transparency and accountability through its budget monitoring and evaluation practices. ✓ Budget monitoring and evaluation helps NHIF optimize its resources effectively. ✓ Effective budgetary control mechanisms, including monitoring and evaluation, are adaptable to changing circumstances. ✓ NHIF has a clear performance metrics that are supported by its budget monitoring and evaluation processes. ✓ NHIF continuously improves its operations based on insights					

gained from budget monitoring and evaluation.					

3. Budget Review	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ The budget review process at NHIF helps in identifying deviations from planned targets. ✓ Budget review at NHIF are conducted in a timely manner, allowing for proactive adjustments. ✓ Budget reviews at NHIF ensure that budget allocations align with organizational goals and objectives. ✓ NHIF demonstrates flexibility in adjusting budget based on changing circumstances identified during reviews.					

✓ Budget reviews at NHIF help in improving the accuracy of future budget projections. ✓ Effective budget review processes positively impact the financial performance of NHIF. ✓ Regular budget reviews contributes to enhancing efficiency within NHIF. ✓ Budget reviews at NHIF lead to improvements in the quality and accessibility of healthcare services provided. ✓ Employees at NHIF feel that effective budget reviews positively impact their satisfaction and morale. ✓ Effective budget reviews contributes to increasing stakeholders confidence in					

NHIF's financial management and performance.					

Measurement of Dependent variable

Financial Performance	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ To what extent do you agree that implementation of budgetary control positively affects the financial performance of NHIF? ✓ How strongly do you believe that adherence to budgetary control measures enhances the efficiency of financial resources allocation within NHIF? ✓ In your opinion, does effective budgetary control contributes to better financial planning and forecasting at NHIF? ✓ To what extent do you agree that budgetary control helps in identifying and addressing					

financial inefficiencies within NHIF? ✓ How much do you agree that the implementation of budgetary controls leads to improved financial accountability and transparency within NHIF? ✓ Do you believe that a robust budgetary control system is essential for NHIF to achieve its financial targets and goals? ✓ In your experience, has effective budgetary control positively impacted NHIF's ability to manage financial risks and uncertainties? ✓ To what extent do you agree that budgetary control enhances NHIF's ability to allocate resources effectively towards					

achieving its strategic objectives?					

End

Thank you for your response

APPENDIX III: NACOSTI PERMIT

APPENDIX IV: AUTHORIZATION LETTER

2nd, May, 2024

E-mail: researchwriting.mba.anu@gmail.com

Tel. 0202711213

The Director.
National Commission for Science,
Technology and Innovation (NACOSTI),
P. O. Box 30623, 00100
Nairobi. Kenya.

Dear Sir/Madam:

RE: RESEARCH AUTHORIZATION FOR: CAROLINE RANDA

Ms. Caroline is a postgraduate student at Africa Nazarene University in the Master of Business Administration (MBA) program.
In order to complete her program, Ms. Caroline is conducting research entitled: " **Effect of Budgetary Controls On Financial Performance of Parastatals in Kenya; A Case of NHIF"**

Any assistance offered to her will be highly appreciated.

Yours Faithfully,

DR. Kimani Gichuhi,
MBA, Coordinator,
School of Business,
Africa Nazarene University.

APPENDIX V: MAP OF THE STUDY AREA

