DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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

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DEDICATION
I dedicate this project to my dear mother Mrs. Oliver Shimonyo, my father Mr. Francis Shimonyo, my caring brothers Cyrus Mushira and Peter Mategwa for their prayers, support and encouragement during the entire period of my degree’s study at the University of Embu.
ACKNOWLEDGEMENT
First, I thank the Almighty God for granting me the gift of life, with him everything is possible. I acknowledge my supervisor Dr. Duncan Mugambi for his guidance and suggestions. It is for his tireless and significant efforts and by setting time on behalf of me from his busy schedule that this research proposal has been triple – down.

Special thanks are due to Dr. Samuel Kariuki whom in one way or the other contributed to the realization of this research project. I dearly appreciate his professional advice.
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<tr>
<td>FY</td>
<td>Financial Year</td>
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<tr>
<td>OCOB</td>
<td>Office of Controller of Budget</td>
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<tr>
<td>CIDP</td>
<td>County Integrated Development Plan</td>
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<tr>
<td>CRA</td>
<td>Commission on Revenue Allocation</td>
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<tr>
<td>PFMA</td>
<td>Public Financial Management Act</td>
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<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>MoFEP</td>
<td>Ministry of Finance and Economic Planning</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>CSOs</td>
<td>Civil Society Organizations</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>MWG</td>
<td>Ministerial Working Group</td>
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<td>CFSP</td>
<td>County Fiscal Strategy Paper</td>
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<tr>
<td>CBROP</td>
<td>County Budget Review and Outlook Paper</td>
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<td>CBEF</td>
<td>County Budget and Economic Forum</td>
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DEFINITION OF SIGNIFICANT TERMS

**Budget**: A detailed financial showing the data regarding the acquisition and use of economic and alternative resources over a specific period of time, either long-term or short-term.

**Budget Process**: it is the procedure undertaken by an organization when developing its budget which includes budget planning, budget implementation, and budget monitoring and evaluation.

**Financial Performance**: it measures the results of operation of a firm’s policies and operations in financial terms, it can be used to compare sectors in government institutions.

**County Government**: it consists of County Assembly and County Executive and it is expected to decentralize its functions and ensure effective and efficient provision of services to its citizens.
ABSTRACT
The rate of absorption of development funds by Kenyan County Governments has been low, a factor that has gnawed at it for years since the inception of County Government in Kenya. The study ought to determine the effect of budgetary process on financial performance of Embu County government. The respondents consisted of 33 staff members from sectoral accountants, budget office, finance office, IFMIS department and County Economist. The study adopted descriptive research design where a questionnaire was used to collect data. The researcher also utilized County Fiscal Strategy Papers, County Government Budget Implementation Review Reports, County Budget Review and Outlook Papers and other vital Government Reports. The study applied descriptive and inferential statistics. Inferential statistics was applied for the purpose of determining the relationship between dependent variable and independent variables where a regression analysis was done using Statistical Package for the Social Sciences (SPSS) version 25. The research findings were presented via pie chart, bar charts and frequency tables. The study established that though Public Financial Management Act had been effectively adopted by the County in its budgetary planning, the public had not been effectively involved in budgetary planning. In addition, the County Government had fully improved on uptake of development funds. The study concluded that the two components of budgetary process that is budgetary planning and, budgetary monitoring and evaluation were significant and had influence on financial performance of the County. The study recommended that the County Government should that the audit committee is well constituted and there is adequate staff in finance, budget office, accounting procurement departments to prevent erroneous financial reporting. Furthermore, the study recommended that the County Government should make implementation of development projects a priority in order to improve on absorption of development funds. The study recommend that further studies should be undertaken on: budgetary process and financial Performance of County Governments in Kenya, factors affecting absorption of development funds by County Governments in Kenya and another study on effect of public participation on budgetary planning by County Governments in Kenya.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The fundamental purpose of any Government is to provide basic goods and services to its citizens. This is achieved through Government Ministries, Autonomous Commissions and Government Corporations. The Citizens hold the Government answerable on allocation and spending of public funds through the budget (Kibunja, 2017). A well planned and effectively executed budget has the potential to improve the standards of living of the people, provide funds for development projects and support Government Service Administration. As such an effective and efficient budgetary process is required.

In regard to Global perspective of the budgetary process, the United States of America has a tedious and complicated budget process. The budgetary process in USA entails the involvement of both the Legislative and Executive wings of the Government. The process begins one and a half year in advance before the start of the Financial Year where the Office Management and Budget provides the relevant departments with a document known as the Planning Guidance in the month of April (Kamau and Rotich and Anyango, 2017). The budget consists of estimations on expenditure, income and also information concerning performance of the economy is provided.

Regarding Regional view of the budgetary process, in Ghana, the Constitution requires the President of the Republic to submit a budget to Parliament each year for approval. The Ministry of Finance and Economic Planning (MoFEP) prepares the budget on behalf of the President. Guided by the Medium-Term Expenditure Framework (MTEF) approach to budgeting, a three-year budget is prepared with a focus on the first-year budget. Budget preparation begins with an advertisement in the print media by MoFEP requesting interest/ pressure groups, Civil Society Organizations (CSOs) to submit Memoranda on issues worthy of consideration in the coming years budget. MoFEP then undertakes a revision of the macroeconomic framework taking into consideration provisions of the National Development Plan (NDP), Cabinet/Executive directors and other Policy papers of Government and International Agreements (Parliamentary Centre, 2010).
In regard to budgeting process in Kenya, the MTEF budget process is preceded by National Development Plans that spell out broad macroeconomic policies such as the National and County Integrated Development Plans (CIDP) and Sectional Paper (Parliamentary Center, 2010). On the basis of policy priorities identified by Government, the Ministerial Working Group (MWG) prepares the Medium-Term Fiscal Strategy Papers (FSP) which sets out optimum levels of aggregate revenues, expenditure, financing and deficit strategies (Parliamentary Centre, 2010). The Treasury issues Budget Guideline Circulars to all accounting officers of Ministries, Counties and all Government Agencies.

1.1.1 Budgetary Process
A budget is a financial tool which enables the government to achieve its goals during a given financial year (Maritim, 2013). A budget is geared towards scheduling, aiding information dissemination, matching and distribution of funds, monitor revenues and processes, assessing results and offering inducement (Kibunja, 2017). A budget is a vital tool to county government as it shows funds allocation to different vote heads to enable the County Government to deliver services to its citizens effectively and efficiently. Budgets are used worldwide both in organizations and by governments and are often considered to be an effective instrument for financial planning. Budget is the foundation of fiscal preparation that assists to examine, regulate and steer our economic system towards intended growth and guarantees economical employment of resources.

Budgetary controls help the administration unit in the organization to prepare strategies to be used in future by executing those strategies and examining performances to determine if they correspond to the strategies, effective execution of fund management may be important for execution of financial plan in the organization. In Kenya, section one hundred and twenty-five to section one hundred and thirty-four of the Kenyan Constitution 2010 outlines the budget process to be followed by County Governments. The sections show the stages of developing a budget and also the preparation of development plans which are County Integrated Development plan and cash flow projections.
1.1.2 Financial Performance

Maphalla (2015) posits that financial performance is measured using financial statement analysis. Njahi (2017) argues that this analysis measures the revenue, operating income and profit after tax, financial position, cash flow, the level of financial leverage and the ability to meet financial commitments. In the instance of devolved units, financial performance assesses distribution of funds from the state, the efficiency in revenue mobilization and how the County government spend on development and recurrent expenses.

The assessment of financial performance is beneficial in a number of ways such as fostering integrity and community support through providing information on progress of projects undertaken by the County Government, facilitates budget formulation and provides critical information to the National government and the public relating to County Government performance.
1.1.3 Budgetary Process and Financial Performance

The budgetary process of Government can be improved by integrating performance into their system. Ustawi (2013) argues that the inception of performance budgeting is viewed as enough effort to enhance spending monitoring and also efficiency and performance of the public segment. The government budget method is a planned and organized approach to dispense public funds to different government ministries, this is to allow the implementation of programs as per their specific agenda. Bonventure (2015) indicated that integrating strategic management and budgeting provides a competitive edge and thus increasing financial performance. Kibunja (2017) posit that where budgets are delayed or when they are prepared with errors, the treasury can fail to disburse county allocation which may affect the operations of the counties as well as financial performance. This means that budgets are closely related to financial performance. A study by Maphalla (2015) to establish the financial performance of South Africa local municipalities revealed that there exists a relationship between the size of the municipality and the financial performance.

1.1.4 County Government

Devolution kicked off in Kenya after general election in the year 2013 and County Governments were formed, which means that the County Governments were given the powers to perform functions of other governments which were previously known as local government. Devolution in Kenya has improved service delivery since resources are brought closer to people, however for the devolved units to be able to render these services to its citizens, they have to generate revenue. The Constitution of Kenya 2010 allows County Governments to perform the role of revenue mobilization. The major sources of revenue to the County Governments are entertainment taxes and property rates. The County Government also have the privilege of imposing other charges for services they offer to their citizens and some of these charges include building and single business permits, fees from parking and billboards and any other tax as stipulated by PFMA.

The County Governments have to prepare budgets with the aim of achieving County Vision and Mission which is revealed by the County Integrated Development Plan. The County budgets should cover functions which have been devolved, be balanced and not to factor any borrowings. Gachithi (2010) argues that budget execution is a difficult undertaking to the majority of government institutions since these institutions have an obligation of creating accurate budget estimates for the implementation of specific agenda and projects based on financial constraint. The
World Bank (2014) indicates that counties in Kenya have experienced higher levels of corruption which can be attributed to weaknesses of the budgeting control systems, therefore, resulting to the low financial performance of County Government.

1.2 Statement of the Problem
Since 2013, a number of public services have been devolved to the County Governments as required by the Constitution of Kenya 2010. Therefore, County Governments have been handling billions of money in order to provide public services. This means that County Governments have to budget for these funds. However, there has been a low uptake of development funds by the devolved units. The County Governments are not utilizing the development funds approved by OCOB to the maximum.

According to County Budget Review and Outlook Paper published by Embu County Government: In FY 2017/2018, the County development expenditure had an approved budget of Kshs. 1,858,221,765 against the actual amount which amounted to Kshs. 1,090,526,088 giving a deviation of Kshs. 767,695,677 equivalent to 41.31 % shortfall. This implies that the County was not able to utilize the approved development expenditure to the maximum, the County only utilized 58.69% of the approved funds leaving 41.31% unutilized.

According to County Government Implementation Review Report published by OCOB for the First Quarter of FY 2018/2019: assessment of expenditure on development as a percentage of the sanctioned annual budget indicates that Narok, Murang’a and Kitui counties achieved the greatest uptake of development funds at 25.9%, 14.9% and 8.4% respectively. A total of 24 counties did not spend on development projects during the First Quarter of the Financial Year implying that our rate of absorption of development funds by Counties in Kenya is still low.

The County Government of Embu has an Integrated Development Plan (C.I.D.P) for the year 2018-2022 in place that will continue to guide the County on the development plans for the period. However, in order to achieve these development goals, Embu County Government requires an effective and efficient budgetary process to aid the development plans which necessitates the need to study budgetary process and financial performance of Embu County Government. Researchers have under-studied the area of budgetary process with most researchers carrying out studies on
budgetary process and organizational performance, therefore the study ought to add knowledge in the area of budgetary process.

1.3 Objectives of the Study
The study is anchored on both the general objective and specific objectives.

1.3.1 General Objective
The main objective for the study is to establish the effect of budgetary process on financial performance of specifically Embu County Government.

1.3.2 Specific Objectives
I. To assess the effect of budgetary planning on financial performance of Embu County Government.
II. To assess the effect of budgetary implementation on financial performance of Embu County Government.
III. To assess the effect of budgetary monitoring and evaluation on financial performance of Embu County Government.

1.4 Research Questions
I. What is the effect budgetary planning on financial performance of Embu County Government?
II. What is the effect of budgetary implementation on financial performance of Embu County Government?
III. What is the effect of budgetary monitoring and evaluation on financial performance of Embu County Government?

1.5 Justification of the Study
The study is anticipated to be of utmost significance to different parties in distinctive ways. The value of the study is discussed according to different classes of stakeholders and how these stakeholders will benefit from the study. First, County Government. The study will enable the County Governments, specifically Embu County to comprehend the influence of budgetary process on financial performance. The study will enable County Government to develop techniques to ensure budgetary process is efficient and effective. Secondly, academicians. The study will be beneficial to academicians and researchers in the area of budgetary process since it
will enable investigation of the influence of budgetary process on financial performance. The researchers will use the study as a tool for reference. Thirdly, National Government. The study is important to the Kenyan Government in formulating sound financial management strategies in the public segment. In addition, the research is vital to the government to formulate policies that ensure financial discipline among County Government in Kenya.

Furthermore, the study will be of great importance to oversight bodies. First, Office of Controller of Budget. The study will beneficial to OCOB when discharging its core mandate of monitoring the execution of budgets whether at the National level or County level. Secondly, Commission on Revenue Allocation, the study will be beneficial to CRA on financial matters concerning County Government.

1.6 Scope of the Study
The research will dwell on the effect of budgetary process on financial performance of County Government. The main focus will be in Embu County Government headquarters departments and offices. The choice of Embu County Government is based on the fact that other County Governments in Kenya are experiencing similar budget issues. The study is confined to three variables which include budgetary planning, budgetary implementation, and budgetary monitoring and evaluation comprising the independent variables where as financial performance is the dependent variable.

1.7 Limitations of the Study
The study was limited to one County Government, as such there is generalization of the research findings. The study did not consider other factors which influence financial performance of the County Government. The study only focused on components of budgetary process which include; budgetary planning, budgetary implementation and budgetary monitoring and evaluation. The information documented in this area from past investigations was not enough. To address this challenge, the researcher had to rely on Government reports and papers.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter covers theories supporting budgetary process, empirical review of works related to budgetary process and financial performance, conceptual framework showing the relationship between independent variables and dependent variable and summary of literature reviewed by the researcher.

2.2 Theoretical Review
This paper is based on two theories that support budgetary process. These theories include: Agency Theory and Good Governance, and Stakeholder’s Theory and Public Participation as discussed below:

2.2.1 Agency Theory
Agency theory is of great importance to corporate governance applicable both in private and public organization. The theory was advanced by Jensen and Meckling in the year 1976 however the theory can be attributed to the works of Berle and Means in 1932. Agency. The state of affairs wherever the principal appoints the agent to run activities on their behalf and assigns them the power to make decisions is referred to as the agency relationship. This theory is based on the premise that those parties assigned the duty of representing the principal should ensure efficient utilization of corporate resources to maximize value for those that they represent. The agents are required to apply careful examination when making organization decision and safeguard the interest of those that appointed them.

In this study, the leaders of County governments are deemed to be the agents where as the residents in Counites are deemed to be the principal. The residents in counties appoint leaders in various positions through election and give them power to make decisions on their behalf. The leaders are required to act in the best interest of the agents, failure of which results to agency conflicts. Jubery et al (2017) posit that agents are considered to have a lot of information about actual performance, budget management, motivation and real purpose which enables them to maximize their budgets within the formulation and implementation of government budgets. They further said, the financial
performance of local government is good if the management is independent or less dependence on the Central government in the use of sources of local income.

Good Governance is a proper application of the ideals, accountability, efficiency and transparency of governance. Abgude (2011) posit that since governance relates to good, it should not go against the people fundamental right, it should have equitable resource distribution, with a decentralized power sharing, enforcement of rule of law and correct answerableness of public funds. Mathenge et al (2017) posit that good budgeting shares the same features with good governance.

2.2.2 Stakeholder’s Theory
This theory was advanced by Freeman R. E in the year 1984. The theory postulates that organizations have stakeholders who are either affected or can affect organization’s decision. Freeman (2004) added a new principle to the theory, the principle of stakeholder recourse where in his own view stakeholders and their activities are vital and they should be incorporated in the management of organizations. The major category of stakeholders includes customers, organization staff, community, shareholders and suppliers.

In this study, stakeholders are citizens in Kenyan Counties who should be involved in the budget process. Mathenge et al (2017) posit that County Governments should own community engagement by allowing citizens to contribute to the management of the county where citizens should own budget by involvement in the making process. In Kenya, it is a requirement that both the County Budget and the National Budget be published in Kenyan dailies to allow the public to participate in the budget process, this is to enable the citizens to give their opinion about the proposed budget.

According to Mugambi and Theuri (2014), the participative budget has shown that the need of having effective tools of participation and the commitment of the Government in doing whatever the citizens of country decides is vital to reduce the chains and the bureaucratic barriers that separate the society from state so as to enable the society to participate in matters pertaining to County Government.

2.3 Empirical Review
The PFMA requires County Government to only use funds as per budgets that have been approved by OCOB, it is through financial planning that government revenue and expenditure is derived
(Njahi, 2017). Therefore, the county governments have to be keen when planning their allocation of funds to different vote heads so as to avoid budget deficits and diversion of funds.

### 2.3.1 Budgetary Planning and Financial Performance

Shah (2007) states that budgets are important instruments of fund management applied to manage and check the matters of large and diversified organizations. Cheruiyot et al (2018) posits that a budget acts as an instrument for financial planning and regulating the usage of limited resources in the achievement of County Governments’ objectives as shown in County Integrated Development Plans. They further state that the County budget is an invaluable aid in planning and formulating policy and in evaluating how it is implemented.

Rotich and Ngahu (2015) examined determinants of budget utilization in Kericho County such as tax compliance, government policy, VAT policy and Inflation. The study did not recognize budget planning which is a major variable to ensure effective budget utilization. Magani and Gichure (2018) on their study, revealed that community participation creates a more favorable decision and leads to a greater appreciation of County Government. They further said that through effective involvement in budgeting, the goals of public participation in the entire budget process are met and citizens’ views are properly incorporated in the budget policy.

The studies discussed above revealed that budgets are important in today government environment. In point of view of government, the authors suggested that budgetary planning should involve public participation. However, the influence of budgetary planning on financial performance in the public segment was not clear.

### 2.3.2 Budgetary Implementation and Financial Performance

Mungai and Nasieku (2016) posits that the Public Financial Management Act assigns separate responsibilities to County Government Departments where the Treasury Department is assigned the core obligation of overseeing budget execution. Magani and Gichure (2018) argues that the challenges associated with budget execution can be minimized through reforms in the budgetary process based on New Public management context which involves performance-based budgeting and integrates planning into the whole budget procedure.

Mathenge et al (2017) study, aimed to identify financial factors influencing budget implementation in Counties. The study findings revealed that monitoring, availability of funds, economic policies...
and government regulations affect budget execution. Ohemeng (2011) argues that to facilitate the implementation of budgets, funds should be allocated to the devolved units that is the County Governments as soon as the budget is approved. The studies discussed above failed to relate budgetary implementation and financial performance.

2.3.3 Budgetary Monitoring and Evaluation, and Financial Performance
Kibunja (2017) posits that monitoring and control is a critical process in order to avoid embezzlement of funds through establishing procedures and laws to regulate financial behavior in County Governments. Budgetary monitoring and control is a planned and non-stop process which involves continuous examination of expenditure to check whether the County Government spends as per the approved budget. Therefore, the National Government has to continuously track the funds that have been disbursed to the County Governments to ensure they are used for the right purpose.

A study by Mungai and Nasieku (2016) on factors affecting budgeting execution by County Governments in Kenya revealed that internal audit functions and county fiscal responsibility were significant in determining county budget execution. They recommended the need to facilitate effective organization and operation of internal audit functions at the county level and also the need to strengthen the legal framework for anti-corruption, ethics and integrity.

In Kenya, Office of Controller of Budget was established in line with the Constitution whose core mandate is to oversee the implementation of budgets at both levels of the government. The OCOB prepares quarterly, annual and other special reports on budget implementation. Under the devolved system in Kenya, the Auditor General is required to examine and report on the financial accounts of both the National Government and County Governments within the six months after the end of each financial year.

2.3.4 Financial Performance
Ngaruro (2013) studied financial planning and financial performance of public organizations. The paper revealed that financial planning had a positive influence on financial performance of public organizations. An effective financial management system is likely to promote maximization of the value of the firm and hence improved financial performance. Isaboke and Kwasira (2016) posits that the area of financial performance requires more attention since it has serious effects on
organization’s stability and consequently its ability to survive in the long run. When the performance is high, it implies that the management is efficient and effective in the use of organization’s resources. The assessment of financial performance varies depending on how it is measured, it turns out that County governments with better financial performance have stronger internal controls, good planning and budgetary process which allows them to effectively implement their projects.

2.4 Conceptual Framework
The diagram below illustrates the conceptual framework which shows the relationship between independent variable and dependent variable.

**Independent Variable**

**BUDGETARY PROCESS**

- **BUDGETARY PLANNING**
  - Regulatory Framework
  - Public participation

- **BUDGETARY IMPLEMENTATION**
  - IFMIS Adoption
  - Community Involvement

- **BUDGETARY MONITORING AND EVALUATION**
  - Internal Audit Reports
  - Controller of Budget Report

**Dependent Variable**

**FINANCIAL PERFORMANCE**

- Spending as per the appropriations
- Development Ratio

*Figure 2.1: Conceptual Framework*
2.5 Summary of Reviewed Literature

The study covered two theories which are Agency Theory and Good Governance, and Stakeholder’s Theory and Public Participation. The reviewed studies indicated that budget is an important tool for financial planning by county government. The studies also revealed that public involvement in the budget process enables the County Government to incorporate citizen’s views in the budget policy. However, the studies did not reveal a clear relationship between budgetary process and financial performance, most of the studies focused on just one component of budgetary process, the studies did not examine the budget process as a whole.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the procedures undertaken to carry out the study. The chapter will focus on research design, population of the study, sampling technique and sample size, data collection instruments, data collection procedures as well as data processing and analysis.

3.2 Research Design
The study adopted descriptive research design. A descriptive research design is applied in exploratory studies in order to enable the researcher collect data, condense, avail and perform interpretation of information obtained for clarity. Descriptive research design can provide vital data which leads to better recommendations. A descriptive research design is used to generate statistical information about matters pertaining to devolution which influences the decision of policy makers and the government (Kothari, 2005).

3.3 Population
The target population consisted of respective County Government Departments which include budget office, County Treasury, County Economist, IFMIS Department, Finance Office as well Sectoral Accountants. The choice of these departments is based on the fact that the departments perform the role of budget planning, budget implementation and also prepare financial reports.

3.4 Sampling Technique and Sample Size
The research targeted staff from the budget office, County Treasury, County Economist, IFMIS Department, Finance Office and Sectoral Accountants. There was a total of 33 staff members in these departments. The small number of the target population implied that there was no need of sampling. Therefore, all members from the six departments took part in the study. A census was conducted and all staff members were involved in the study.

3.5 Data Collection Instruments
The research will use primary data. The data will be obtained via the use of questionnaire because it is cheap and economical to implement and also it gives respondents adequate time to consult documents or other people and thus honest answers may be given. The questionnaire consists of 5
sections, the first section outlines demographic data about the participants while the remaining four sections collect data as per the study objectives. The questionnaire comprises of closed ended questions and open-ended questions. A 5-point Likert scale is used in the questionnaire. The scale will range from strongly agree to neutral so as to enable measuring the degree to which responses are provided.

**3.6 Data Collection Procedure**

The data collection instruments (questionnaire) will be administered by the researcher himself. The researcher will also utilize County Fiscal Strategy Papers (CFSP), County Government Budget Implementation Review Reports, County Budget Review and Outlook Papers (CBROP) and other vital Government reports.

**3.7 Data Processing and Analysis**

After the researcher collects required data, the questionnaires will be edited and information obtained will be properly coded and examined thoroughly to check for completeness and ensure accuracy. The data will be analyzed using both descriptive statistics and inferential statistics. Inferential statistics will be applied to examine the association between variables in the study. The researcher will apply Statistical Software for the Social Sciences (SPSS) Version 25 and Microsoft Office Excel 2016 to analyze the collected data. The information will be presented using tables, pie and bar charts to facilitate easy understanding of the statistical information generated. Regression Analysis is used to develop a model expressing the hypothetical relationship between the Independent Variables and Dependent variable.

**3.7.1 Regression Analysis Model**

\[ Y = \hat{\alpha} + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Where

\[ \hat{\alpha} = \text{Constant} \]

\[ \beta_1, \beta_2, \beta_3 \text{ are coefficients of Independent Variables} \]

\[ Y = \text{Financial Performance of Embu County Government} \]

\[ X_1 = \text{Budgetary Planning} \]
$X_2 = \text{Budgetary Implementation}$

$X_3 = \text{Budgetary Monitoring and Evaluation}$

$\varepsilon = \text{Error Term}$

The Regression Analysis is done for the purpose of determining the effect of Independent Variables (budgetary planning, budgetary implementation, budgetary monitoring and evaluation) on Dependent Variable (Financial Performance of Embu County Government).


CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction
In the chapter, the data obtained from the field has been analyzed and reported. The data was from Embu County Government. The chapter begins by explaining the response rate, demographic information, distribution of age, whereas the other remaining sections are based on research objectives including budgetary planning and financial performance of county government, budgetary implementation and financial performance of county government, budgetary monitoring and evaluation and, financial performance of county government. The Statistical Package for the Social Sciences (SPSS) Version 25 software was used to analyze the collected data and also Microsoft Office Excel 2016 was used. The research findings were presented via pie charts, bar charts and frequency tables.

4.2 Response Rate
The research was carried out at Embu County Government where thirty-three questionnaires were issued of which twenty-eight questionnaires were returned as indicated in Figure 4.1. This signifies a response rate of 84%, which was worthy for the research. Mugenda and Mugenda (2003) posits that a return rate which is above seventy percent is adequate for a study.

![Response Rate Chart]

*Figure 4.2: Response Rate*

4.3 Demographic Information
This section describes the respondents’ characteristics relating to gender, age distribution and academic qualifications.
4.3.1 Gender Distribution
The research ought to determine how the gender of respondents is distributed.

Table 4.1: Gender Distribution

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>12</td>
<td>42.9</td>
<td>42.9</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>16</td>
<td>57.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The table 4.1 above indicates that the female was majority of the respondents represented by (57.1%), however there was a reasonable distribution of county staff with male representation being (42.9%). Therefore, Embu County Government had commendably applied the principles of gender parity which ensures equality in employment and representation. The equal distribution of gender was important to the study as it reduces biasness associated with gender disparity.

4.3.2 Age Distribution
The study ought to determine how the age of respondents is distributed.

Figure 4.2: Age Distribution
The figure 4.2 indicates that a large number of the respondents were aged between thirty to forty-nine years, with 46.4% aged thirty to thirty-nine years and 39.3% aged forty to forty-nine years. This implies that the County Government has a productive workforce who can effectively perform functions of the County to accomplish the set objectives.

4.3.3 Academic Qualifications

The study intends to determine the education level of respondents.

Table 4.2: Academic Qualifications

<table>
<thead>
<tr>
<th>Academic Qualifications</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master’s Degree and Above</td>
<td>6</td>
<td>21.4</td>
<td>21.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>15</td>
<td>53.6</td>
<td>53.6</td>
<td>75.0</td>
</tr>
<tr>
<td>Diploma</td>
<td>6</td>
<td>21.4</td>
<td>21.4</td>
<td>96.4</td>
</tr>
<tr>
<td>Certificate</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.2 indicates that a large number of the participants were Bachelor’s Degree holders (53.6%), while 21.4% held Master’s Degree and Above, equally 21.4% held Diploma and 3.6% held Certificate. This implies better academic qualifications of the human resource who are knowledgeable to undertake different tasks of the County Government geared towards realizing its objectives.

4.4 Budgetary Process and Financial Performance of Embu County Government, Kenya

The research intends to determine the influence of budgetary process on financial performance of Embu County. The components of budgetary process studied include budget planning, budgetary implementation and, budgetary monitoring and evaluation. The components of budgetary process were assessed and associated with financial performance.
4.4.1 Budgetary Planning and Financial Performance

The research intends to determine the influence of budgetary process on financial performance of Embu County Government.

Table 4.3: Agreement level on adoption of PFM Act

The Public Financial Management Act has been effectively adopted in budgetary planning

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>13</td>
<td>46.4</td>
<td>46.4</td>
<td>46.4</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>39.3</td>
<td>39.3</td>
<td>85.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>10.7</td>
<td>10.7</td>
<td>96.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.3 above provides research findings on the extent to which PFM Act has been implemented by the County. In regards to whether the Public Financial Management Act has been effectively adopted in budgetary planning, majority of the participants (46.4%) agreed. This indicates that the County Government complies to the rules outlined for budgetary planning, an issue that ensures effective budget execution, control and assessment of the budget process.

Table 4.4: Agreement level on public participation in budgetary planning

The Public has been effectively engaged in the budgetary planning

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>8</td>
<td>28.6</td>
<td>28.6</td>
<td>28.6</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>35.7</td>
<td>35.7</td>
<td>64.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>8</td>
<td>28.6</td>
<td>28.6</td>
<td>92.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>96.4</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
From table 4.4 above, in regard to whether the public had been engaged in the budgetary planning, 28.6% of the respondents disagreed. This would have a negative effect on making priorities for projects, budget executions as well as budgetary control and evaluation and hence affecting the overall performance of the county. However, 28.6% of the respondents also agreed that the public has been effectively engaged in budgetary planning. Barasa and Eising (2012) posit that public participation is a vital component of realizing vision 2030 since devolution is anchored on both the economic pillar and social pillar.

**Table 4.5: Agreement level on influence of budgetary planning on financial performance**

<table>
<thead>
<tr>
<th>Budgetary Planning Influences Financial Performance of the County Government</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>13</td>
<td>46.4</td>
<td>46.4</td>
<td>46.4</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>46.4</td>
<td>46.4</td>
<td>92.9</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>7.1</td>
<td>7.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.5 above provide results on the degree to which budgetary planning affect financial performance of the County Government. A greater number of participants (46.4%) agreed that budgetary planning has an influence on financial performance of the County.

**4.4.1.1 Strategies for Improving Budgetary Planning of Embu County Government**

![Figure 4.3: Strategies of Improving Budget Planning](image)
From figure 4.3, recommendations for improving budgetary planning were mentioned as increase of public participation in budgetary planning according to (67.9%) of participants and also staff capacity development was suggested by (32.1%) of respondents. Barasa and Eising (2012) argues that public participation is vital and community has to be involved to ensure there is better allocation of funds.

4.4.2 Budgetary Implementation and Financial Performance

The research intends to determine the influence of budgetary implementation on financial performance of Embu County Government.

*Table 4.6 IFMIS adoption by the County*

<table>
<thead>
<tr>
<th>The County has effectively adopted IFMIS for processing its transactions</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>13</td>
<td>46.4</td>
<td>46.4</td>
<td>46.4</td>
</tr>
<tr>
<td>Agree</td>
<td>14</td>
<td>50.0</td>
<td>50.0</td>
<td>96.4</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.6 above provides results on the extent to which the County has adopted IFMIS. According to over half of the respondents (50.0%), the County Government of Embu has effectively implemented Integrated Financial Management Information System. This implies that the County Government can leverage on technology to reduce the chances of fraud and hence protect public funds.

*Table 4.7: County Expenditure*

<table>
<thead>
<tr>
<th>The County spends funds as approved by Controller of Budget only</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>9</td>
<td>32.1</td>
<td>32.1</td>
<td>32.1</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>53.6</td>
<td>53.6</td>
<td>85.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>10.7</td>
<td>10.7</td>
<td>96.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

In regard to whether the County Government spends funds as approved by controller of budget, majority of the participants (53.6%) agreed. This implies that the spending for budget execution
was in line with the Controller of Budget estimations meaning that funds were allocated to the right vote-heads and hence there was no misallocation of funds. As such there is proper funding of the priority projects and this improves financial performance of the County.

Table 4.8: CBEF involvement in Budget Implementation

| The County Executive ensures the CBEF is actively involved in budget implementation |
|----------------------------------|-------------|------------|-------------|
|                                  | Frequency   | Percent    | Valid Percent | Cumulative Percent |
| Valid                            |             |            |              |                   |
| Strongly Agree                   | 7           | 25.0       | 25.0         | 25.0              |
| Agree                            | 17          | 60.7       | 60.7         | 85.7              |
| Strongly Disagree                | 4           | 14.3       | 14.3         | 100.0             |
| Total                            | 28          | 100.0      | 100.0        |                   |

From table 4.8 above, the involvement of the County Budget and Economic Forum (CBEF) in budget execution was highly rated by a greater number (60.7%) of the participants. This implies that contribution of CBEF in budget execution by Embu County Government is commendable. Therefore, the County Government complies with Public Financial Management Act which requires stakeholder’s involvement in budget execution to improve performance.

Table 4.9: Agreement level on influence of budget implementation on financial performance

| Budgetary Implementation Influences Financial Performance of Embu County Government |
|----------------------------------|-------------|------------|-------------|
|                                  | Frequency   | Percent    | Valid Percent | Cumulative Percent |
| Valid                            |             |            |              |                   |
| Strongly Agree                   | 13          | 46.4       | 46.4         | 46.4              |
| Agree                            | 12          | 42.9       | 42.9         | 89.3              |
| Strongly Disagree                | 3           | 10.7       | 10.7         | 100.0             |
| Total                            | 28          | 100.0      | 100.0        |                   |
The table 4.9 above provides results on the degree to which budgetary implementation affects financial performance of the County. According to over half of the participants agreed that budgetary implementation influence financial performance of Embu County Government.

4.4.2.1 Strategies for improving Budgetary Implementation of Embu County Government

![Figure 4.4: Strategies for Improving Budget Implementation](image)

**Figure 4.4: Strategies for Improving Budget Implementation**

From figure 4.4 above, the recommendations mentioned by the respondents for improving budgetary implementation include: improvement in revenue collection suggested by (42.9%) of the respondents. The respondents also suggested timely funds disbursement from the National Treasury (35.9%). Disbursement from National Treasury was acknowledged in literature review the suggestion affirms participants reasoning. Monitoring spending of public funds was also suggested.
4.4.3 Budgetary Monitoring and Evaluation, and Financial Performance
The research intends to determine the influence of budgetary monitoring and evaluation on financial performance of Embu County Government.

Table 4.10: Agreement level on whether financial reports are prepared and budgetary controls reinforced by the auditor

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>14.3</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>39.3</td>
<td>39.3</td>
<td>53.6</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>8</td>
<td>28.6</td>
<td>28.6</td>
<td>82.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>14.3</td>
<td>14.3</td>
<td>96.4</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.10 above provides results on the extent to which the internal auditor prepares reports and reinforces budgetary controls. In regard to whether the internal auditor prepares reports and reinforces budgetary controls, 39.3% of the respondents agreed while 28.3% disagreed. This implies that the audit function had some challenges. This has a negative effect on the assessment and response process which permits timely corrective actions. Kibunja (2017) posit that reports should be prepared at specific intervals to evaluate real performance and compare it with the budget.

Table 4.11: Agreement level on whether financial reports are submitted by the Auditor General

**Quarterly and End of year Financial reports are submitted by the Auditor General which assess the budget procedure**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>8</td>
<td>28.6</td>
<td>28.6</td>
<td>28.6</td>
</tr>
<tr>
<td>Agree</td>
<td>20</td>
<td>71.4</td>
<td>71.4</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The table 4.11 above indicates that a large number of respondents (71.4%) agreed that quarterly and end of year financial reports are submitted by the Auditor General which assess budget procedure. This implies that budget assessment is effectively undertaken by the auditor general who also evaluates disbursement of the funds from the National Government to the County Government.

*Table 4.12: Agreement level on development expenditure reporting by the Controller of Budget*

<table>
<thead>
<tr>
<th>The Office of Controller of Budget Reports on Development Expenditure</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>10</td>
<td>35.7</td>
<td>35.7</td>
<td>35.7</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>46.4</td>
<td>46.4</td>
<td>82.1</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>10.7</td>
<td>10.7</td>
<td>92.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>96.4</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>3.6</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.12 above shows that a greater number of participants (46.4%) concurred that the office of controller of budget reports on development expenditure of the County Government. Such reports are provided to the officers of budget department, indicating positive or negative results from the budgeted figures.

*Table 4.13: Agreement level on influence of budgetary monitoring and evaluation on financial performance*

<table>
<thead>
<tr>
<th>Budgetary Monitoring and Evaluation Influences Financial Performance</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>11</td>
<td>39.3</td>
<td>39.3</td>
<td>39.3</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>46.4</td>
<td>46.4</td>
<td>85.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>4</td>
<td>14.3</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 4.13 above provides results on the extent to which budgetary monitoring and evaluation influence financial performance of the County. A greater number of respondents agreed that budgetary monitoring and evaluation has an influence on financial performance of Embu County Government.
4.4.3.1 Strategies for Improving Budgetary Monitoring and Evaluation of Embu County Government

Transparency and accountability were an important strategy of improving budgetary monitoring and evaluation according to (46.4%) of participants. Suggested also was improvement in information dissemination at the County Government (21.4%). Public participation was suggested by (17.9%) of participants. The CBEF involvement should be increased according to (14.3%) of the participants.
4.4.4 Financial Performance

The research intends to assess the factors influencing financial performance of Embu County Government.

Table 4.14: County Spending

<table>
<thead>
<tr>
<th>The County Government spent as per the approved expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>Disagree</td>
</tr>
<tr>
<td>Neutral</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

In regard to whether the County Government spent as per the approved expenditure, 50.0% of the respondents agreed. This implies that the County Government prepares its budget in line with Public Financial Management regulations and hence reducing the chances of funds misallocation.

Table 4.15: Rate of Absorbtion of Development funds

<table>
<thead>
<tr>
<th>The County Government has enhanced the rate of absorbtion of development expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

In regard to whether the County Government has enhanced the rate of absorbtion development funds, 53.6% of the respondents agreed while 28.6% of the respondents disagreed. This implies that the County has not fully improved on the uptake of developments and this makes some projects to stall or take more time than expected.
According to over half of the participants (57.1%) agreed that the County Government is financially stable. This implies that the County Government does not experience liquidity problems and hence there is no unexpected borrowing by the Government to finance its needs.

4.4.4.1 Strategies for improving Financial Performance of Embu County Government

The suggestions for improving financial performance of Embu County Government were mentioned as assessment of low uptake of development funds according to (57.1%) of the respondents and also improvement in revenue sources was suggested by (42.9%) of the participants.
4.5 Regression Analysis
Regression analysis illustrates how financial performance is influenced with budgetary process. The research intends to determine the effect of budgetary process on financial performance of Embu County Government, Kenya.

Table 4.17: Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>.822</td>
<td>3</td>
<td>.274</td>
<td>7.051</td>
<td>.051</td>
</tr>
<tr>
<td>Residual</td>
<td>6.257</td>
<td>24</td>
<td>.261</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7.079</td>
<td>27</td>
<td></td>
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</tr>
</tbody>
</table>

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Budgetary Monitoring and Evaluation, Budgetary Planning, Budgetary Implementation

The Analysis of Variance (ANOVA) results with significance (0.000) shows that the regression analysis model was greatly significant in predicting how budget planning, budgetary implementation and, budgetary monitoring and evaluation influence financial performance of Embu County Government.

Table 4.18: Coefficients of Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.916</td>
<td>.482</td>
<td></td>
<td>3.977</td>
</tr>
<tr>
<td>Budgetary Planning</td>
<td>.356</td>
<td>.211</td>
<td>.425</td>
<td>1.688</td>
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<tr>
<td>Budgetary Implementation</td>
<td>-.407</td>
<td>.281</td>
<td>-.388</td>
<td>-1.448</td>
</tr>
<tr>
<td>Budgetary Monitoring and Evaluation</td>
<td>.118</td>
<td>.225</td>
<td>.110</td>
<td>.527</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial Performance

The regression analysis model for the research was;

\[ Y = \hat{\alpha} + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]
Where

\( \hat{\alpha} = \text{Constant} \)

\( \beta_1, \beta_2, \beta_3 \) are coefficients of Independent Variables

\( Y = \text{Financial Performance of Embu County Government} \)

\( X_1 = \text{Budgetary Planning} \)

\( X_2 = \text{Budgetary Implementation} \)

\( X_3 = \text{Budgetary Monitoring and Evaluation} \)

\( \varepsilon = \text{Error Term} \)

The regression equation for the research is;

\[
Y = 1.916 + 0.356X_1 - 0.407X_2 + 0.118X_3 + \varepsilon
\]

The regression analysis equation indicates that holding other factors (budgetary planning, budgetary implementation and, budgetary monitoring and evaluation) constant, financial performance of Embu County Government was 1.916. The research findings also indicate that a unit increase in budgetary planning would result to 0.356 increase on financial performance of Embu County Government. The relationship between budgetary planning and financial performance of Embu County Government was significant with p-value 0.044 < 0.05.

In addition, the research findings reveal that a unit decrease in budgetary implementation would result to 0.407 decrease on financial performance of Embu County Government. The relationship between budgetary implementation and financial performance of Embu County Government was insignificant with p-value 0.160 > 0.05. Further, the findings indicate that a unit increase in budgetary monitoring and evaluation would result to 0.118 increase on financial performance of Embu County Government. The relationship between budgetary monitoring and evaluation and, financial performance of Embu County Government was statistically significant with p-value 0.030 < 0.05.
In general, the research findings indicate that budgetary planning is the most important component of budgetary process with coefficient (0.356), followed by budgetary monitoring and evaluation with coefficient (0.118). The two Independent variables (budgetary planning and, budgetary monitoring and evaluation) were significant with p-values of less than 0.05. Therefore, all counties in Kenya should center their attention on budgetary planning to improve their uptake of development funds.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In the chapter, study findings have been summarized based on objectives of the study, conclusions are drawn from key study results and recommendations are made for improving budgetary process of county governments. The final part of the chapter provides areas for further studies.

5.2 Summary
This section presents a summary of key study findings and interpretations based on objectives of the study.

5.2.1 Budgetary Planning and Financial performance
The study established that Public Financial Management Act had been effectively adopted by Embu County Government in its budgetary planning. It was further revealed that the public had not been effectively engaged in budgetary planning. A great number of respondents agreed that budgetary planning influence financial performance of Embu County Government. The study revealed that there exist a strong, positive and significant relationship between budgetary planning and financial performance of Embu County Government.

5.2.2 Budgetary Implementation and Financial Performance
The study revealed that the County Government had effectively adopted Integrated Financial Management Information System (IFMIS) for processing its transactions. The County Government also spend funds as approved by Controller of Budget only. It was further revealed that the County Executive ensures that the County Budget and Economic Forum (CBEF) is involved in budget implementation. A great number of respondents agreed that budgetary implementation influence financial performance of the County. The study revealed that there exist a negative and insignificant relationship between budgetary implementation and financial performance of Embu County Government.

5.2.3 Budgetary Monitoring and Evaluation, and Financial Performance
The study revealed that the audit function of the County Government had some challenges, twenty eight percent of the respondents disagreed that the internal auditor prepared reports and reinforced budgetary controls. Seventy one percent of the participants concurred that quarterly and end of year financial reports are submitted by the auditor general which assess the budget procedure. It
was further established that the Controller of Budget reports on development expenditure. The study revealed that there exists a positive and significant relationship between budgetary monitoring and evaluation, and financial performance of Embu County Government.

5.2.4 Financial Performance
The study established that Embu County Government spent funds as approved per the expenditure. Further, twenty eight percent of the respondents disagreed that the County Government had enhanced the rate of absorption of development expenditure while over half of the respondents concurred that the County Government is financially stable. To improve financial performance of the County, the participants recommended: assessment of low uptake of development funds and improvement in revenue mobilization.

5.3 Conclusions of the Study
The study ought to determine the effect of budgetary process on financial performance of Embu County Government. The components of budgetary process studied include budgetary planning, budgetary implementation and, monitoring and evaluation.

5.3.1 Budget Planning
From the research findings, it is evidently clear that budgetary planning has a positive and significant effect on financial performance of Embu County Government. It was deduced that the Public Financial Management Act had been adopted by the County Government. However, the study concludes that public participation in budget process is fairly taken seriously at the County Government. To improve budget planning the respondents suggested staff capacity development and involvement of the public in budget planning.

5.3.2 Budget Implementation
In relation to budgetary implementation, the study concludes that budgetary implementation has a negative and insignificant effect on financial performance of Embu County Government. It was deduced that the County Government has effective adopted IFMIS. Furthermore, from the results it was deduced that CBEF plays an important role in budgetary implementation. In addition, the County expenditure was deduced to be in accordance with approval of Controller of Budget. The respondents suggested: improvement in revenue sources, timely funds disbursement from National Treasury and monitoring spending of public funds as strategies for improving budgetary implementation.
5.3.3 Budgetary Monitoring and Evaluation
In regard to budgetary monitoring and evaluation, the study concludes that budgetary monitoring and evaluation has a positive and significant effect on financial performance of Embu County Government. It was deduced that the Office of Controller of Budget reports on development spending by the County Government. However, the study concludes that the audit function does not perform to its expectations to enable monitoring the usage of funds. To improve budgetary monitoring and evaluation, the respondents suggested transparency and accountability, improvement in information dissemination at the County Government, Public and CBEF involvement.

The study concludes that the County Government spending is in accordance with the approved expenditure. Furthermore, it was deduced that the County Government is financially stable. The study concludes that the County has not fully improved on uptake of development funds. The study finally concludes that budgetary planning had the greatest effect on financial performance of Embu County Government followed by budgetary monitoring and evaluation while budgetary implementation had a negative effect on financial performance of Embu County Government. The two variables namely budgetary planning and, budgetary monitoring and evaluation were concluded to be significant.

5.4 Recommendations
In regard to budgetary planning, the study results revealed that the public is not always involved in budget planning. Therefore, the study recommends that the County Government should always consider the public since public participation is measured from the ability of the public to influence development of the budget, the extent to which county officers contact the public and the ease of the public to propose changes in the budget procedure. This will help to improve financial performance of the County Government.

Regarding budgetary monitoring and evaluation, the research findings revealed that the audit function was experiencing some challenges. Therefore, the study recommends that there should be proper expenditure and financial statements reporting to provide information on the progress of projects undertaken by the County Government. This can be achieved by ensuring that the audit committee is well constituted and the County Government has adequate staff in finance, budget
office, accounting and procurement departments to prevent erroneous financial reporting speed up the preparation of budgetary reports and documents.

The research findings finally reveal that in regard to absorption of developments, the rate of uptake of development funds is still low. The study therefore recommends that the County Government should make implementation of development projects a priority in order to improve on uptake of development funds. This has a far-reaching effect on standards of living of its residents. It is through implementation of development projects that the County will improve its infrastructure such as roads and improve the state of its hospitals and schools.

5.5 Suggestion for Further Research
The study focused on just one County Government; therefore, a further study can be undertaken on budgetary process and financial performance of County Governments in Kenya. It is recommended that academicians should undertake further studies on: factors affecting absorption of development funds by County Governments in Kenya and another study on effect of public participation on budgetary planning by County Governments in Kenya.
REFERENCES


## APPENDIX I: RESEARCH GAPS

<table>
<thead>
<tr>
<th>S/No</th>
<th>Author (Empirical study)</th>
<th>Focus of the Study</th>
<th>Methodology used</th>
<th>Findings</th>
<th>Knowledge Gaps</th>
<th>Focus of Current Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Rotich and Ngahu (2015)</td>
<td>Factors affecting Budget Utilization in Kericho County</td>
<td>Descriptive Research design was used. Sample size was 33 finance and management staff. Pearson correlation was used.</td>
<td>The findings indicated that there existed a positive relationship between tax compliance and budget utilization, a weak negative correlation was observed between VAT and budget Utilization. Government policy and inflation were also found to affect budget utilization negatively.</td>
<td>The study only investigated five factors affecting budget utilization. Budget planning was not recognized which is a major factor in budget process.</td>
<td>Budgetary process and Financial Performance of Embu County Government.</td>
</tr>
<tr>
<td>2.</td>
<td>Magani and Gichure (2018)</td>
<td>Influence of Public Financial Management Reforms on Budget Implementation by Kenyan City Counties</td>
<td>The study employed an ex post facto descriptive research design. The sample size was 36 respondents. Secondary data was used. Regression analysis was also used.</td>
<td>The findings revealed a statistically significant correlation between fiscal decentralization and budget implementation while IFMIS re-engineering had a negative statistically insignificant correlation with budget execution.</td>
<td>Failure to relate on financial performance. No focus on budget process as a whole.</td>
<td>Budgetary process and financial performance of Embu County Government.</td>
</tr>
<tr>
<td>3.</td>
<td>Mathenge and Shavulimo and Kiama (2017)</td>
<td>Financial factors Influencing Budget Implementation in Counties.</td>
<td>Sample size was 72 respondents. Regression model was used. The findings were presented using tables.</td>
<td>The findings revealed that financial availability has the major significant effect on budget implementation followed by financial policies where as government financial regulation is the least followed by budget monitoring.</td>
<td>Focus was on budget implementation which is a factor in budget process to be examined.</td>
<td>Budgetary process and financial performance of Embu County Government.</td>
</tr>
<tr>
<td>4.</td>
<td>Mungai and Nasieku (2016)</td>
<td>Factors affecting Budget execution by County Governments in Kenya</td>
<td>Cross sectional research design was used. The study employed regression analysis.</td>
<td>The study findings indicated that internal audit functions and county fiscal responsibility were significant in determining budget execution.</td>
<td>Failure to relate on financial performance.</td>
<td>Budgetary process and financial performance of Embu County Government.</td>
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<tr>
<td>5.</td>
<td>Cheruiyot and Namusonge and Sakwa (2018)</td>
<td>Effect of Financial Planning on Financial performance of County Governments in Kenya</td>
<td>The study employed descriptive research design and purposive sampling. Primary data was collected from OCOB, Office of the Auditor General and County Treasury offices.</td>
<td>The findings revealed a positive statistically significant relationship existed between financial planning and performance of County Governments in Kenya.</td>
<td>The study only investigated financial planning which is a function of budgetary process ignoring other functions.</td>
<td>Budgetary process and Financial Performance of Embu County Government.</td>
</tr>
</tbody>
</table>
APPENDIX II: INTRODUCTION LETTER

ERICK NGAIRA
UNIVERSITY OF EMBU
P.O. BOX 6-60100, EMBU KENYA

Dear Respondent

RE: BACHELOR OF COMMERCE RESEARCH

I am a student pursuing a Bachelor of Commerce Degree in Finance at University of Embu. In partial fulfillment of the requirements for the award of the Bachelor’s Degree, I am required to carry out a study on “Budgetary Process and Financial Performance of Embu County Government, Kenya”.

I kindly request for your assistance to enable the completion of this study. The information provided will be treated as confidential as possible for the purpose of this study only. Your assistance will be highly appreciated.

Thank you in advance.
APPENDIX III: QUESTIONNAIRE
This study is intended for academic work only. The study will attempt to determine THE EFFECT OF BUDGETARY PROCESS ON FINANCIAL PERFORMANCE OF EMBU COUNTY GOVERNMENT, KENYA. Please do not indicate your name anywhere on this questionnaire. Responses provided will be treated with utmost confidentiality. Please use a tick [✓] where appropriate or fill in the required information on the spaces provided.

SECTION I: PERSONAL DATA
1. Gender: Male [ ] Female [ ]

3. Academic Qualifications
Master’s Degree and above [ ] Bachelor Degree [ ] Diploma [ ] Certificate [ ]
Others(Specify)-
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................


Please indicate the extent to which Budgetary Planning Influences Financial Performance of County Government, where: 1 – Strongly Agree; 2 – Agree; 3 – Strongly Disagree; 4 – Disagree; 5 – Neutral

<table>
<thead>
<tr>
<th>Budgetary Planning</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Public Financial Management Act has been effectively adopted in budgetary planning.</td>
<td></td>
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</tr>
<tr>
<td>The Public has been effectively engaged in the budgetary planning.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgetary Planning Influences Financial performance of the County Government.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b) In your opinion, what needs to be done to ensure there is improved budgetary planning of Embu County Government?
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To what extent do you agree with the following statements about Budgetary Implementation and Financial Performance, where: 1 – Strongly Agree; 2 – Agree; 3 – Strongly Disagree; 4 – Disagree; 5 – Neutral

<table>
<thead>
<tr>
<th>Budgetary Implementation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The County has effectively adopted IFMIS for processing its transactions.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The County spends funds as approved by Controller of Budget only.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The County Executive ensures the CBEF is actively involved in budget implementation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgetary implementation Influences Financial Performance of Embu County Government.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b) In your opinion, what needs to be done to ensure there is improved budgetary implementation of Embu County Government?

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SECTION V: Financial Performance of Embu County Government, Kenya

Please indicate the extent to which you agree on how the following aspects influences Financial Performance of Embu County Government, where; 1 – Strongly Agree; 2 – Agree; 3 – Strongly Disagree; 4 – Disagree; 5 – Neutral

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The County Government spent as per the approved expenditure.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The County Government has enhanced the rate of absorbtion of development expenditure.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The County Government is financially stable.</td>
<td></td>
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</tbody>
</table>

In your own opinion, what needs to be done to improve financial performance of the County?

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# APPENDIX IV: LIST OF COUNTIES IN KENYA

<table>
<thead>
<tr>
<th>Code</th>
<th>County</th>
<th>Code</th>
<th>County</th>
<th>Code</th>
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<th>Code</th>
<th>County</th>
<th>Code</th>
<th>County</th>
</tr>
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<tbody>
<tr>
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<td>Isiolo</td>
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<td>Murang’a</td>
<td>31</td>
<td>Laikipia</td>
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<td>Meru</td>
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<td>Kiambu</td>
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<td>Nakuru</td>
<td>42</td>
<td>Kisumu</td>
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<tr>
<td>3</td>
<td>Kilifi</td>
<td>13</td>
<td>Tharaka-Nithi</td>
<td>23</td>
<td>Turkana</td>
<td>33</td>
<td>Narok</td>
<td>43</td>
<td>Homa Bay</td>
</tr>
<tr>
<td>4</td>
<td>Tana River</td>
<td>14</td>
<td>Embu</td>
<td>24</td>
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Source: Office of Controller of Budget