

**PARTICIPATORY BUDGETING AND FINANCIAL
PERFORMANCE OF PARASTATALS WITH LIQUIDITY
GAPS IN KENYA**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF
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FULFILLMENT OF THE REQUIREMENT FOR THE
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DECLARATION

This thesis has not been submitted to any kind of academic honour or otherwise,
it is my individual original work.

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DEDICATION

This thesis is dedicated to my beloved parents: Ms. Virginia Muange and Mr. Barnabbas Muange for their love, support and inspiration along this academic journey.

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I thank the almighty God for empowering me throughout my academic career. I would like to convey my heartfelt appreciation to my supervisors, Dr. Ouma Denis and Dr. Wanyama S. Mackton for their invaluable advice and knowledge that helped me to complete this task. Dr. Atieno Margaret and my classmates deserve special recognition for their dedication, devotion and encouragement. May God continue to bless you all. Finally, I would like to thank Kaimosi Friends University for Giving me a chance to undertake a Masters degree in Business Administration.

ABSTRACT

Most parastatals have embraced participatory budgeting to ensure proper utilization of available resources. Despite the implementation of participatory budgeting, parastatals still experience challenges, which lead to poor financial performance. The study's main objective was to determine the effect of participatory budgeting on financial performance of parastatals with liquidity gaps in Kenya. The specific objectives were; to determine the effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya, to examine the effect of stakeholders' involvement in budget implementation on financial performance of parastatals with liquidity gaps in Kenya and to evaluate the effect of stakeholders' involvement in monitoring and evaluation on financial performance of parastatals with liquidity gaps in Kenya. Theories that guided the study were budget theory, resource dependence theory and agency theory. Pragmatism philosophy was adopted. A correlation research design was employed. The target population comprised 424 respondents, including procurement officers, procurement clerks, finance officers, accountants and managing directors. The sample size was obtained using Fischer's method. In Kenya, the study was conducted in eight parastatals experiencing liquidity gaps. Primary data was collected using questionnaires, and audited financial statements were used to collect secondary data. Pilot study was conducted at Kenya Power and Lightning Company. The research tools' dependability was examined using Cronbach's Alpha. Factor analysis was used to evaluate the construct validity. Descriptive and inferential statistics were generated using Statistical Package for Social Sciences (SPSS). Descriptive statistics included percentages and frequencies. Diagnostics tests carried out included normality, autocorrelation, multicollinearity and heteroscedasticity. Inferential statistics include correlation analysis, regression analysis and ANOVA. The findings revealed that awareness of budget process regulations had a coefficient of -0.056 with a p-value of 0.009, stakeholders' involvement in budget implementation had a β of -0.042 with a p-value of 0.003 while stakeholders' involvement in monitoring and evaluation had a regression coefficient of -0.040 with p-value of 0.001 at 5% significance level. The regression model showed an R-squared of 0.615 while ANOVA had an F-statistic of 4.725 with a p-value of 0.04. The information obtained may help the government formulate strategies and policies to improve the involvement of the public in the budget-making process. The study suggested that parastatals adopt participatory budgeting in order to improve financial performance. Parastatals should also ensure stakeholders' priorities are taken into consideration to ensure their interests are prioritized, hence achieving financial goals.

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ABBREVIATIONS AND ACRONYMS

| | |
|----------------|--|
| ABPR | Awareness of Budget Process Regulations |
| ANOVA | Analysis of Variance |
| CBO | Community-Based Organizations |
| NACOSTI | National Commission for Science, Technology and Innovation |
| PB | Participatory Budgeting |
| RDT | Resource Dependence theory |
| ROA | Return on Assets |
| SIBI | Stakeholders Involvement in Budget Implementation |
| SIME | Stakeholders Involvement in Monitoring and Evaluation |
| SPSS | Statistical Package for Social Sciences |

OPERATIONAL DEFINITION OF TERMS

| | |
|---|--|
| Awareness of Budget Process Regulations | Awareness of budget process regulations is where stakeholders' in the parastatals have good knowledge of the set budgeting guidelines (Gichure & Abwao, 2018). |
| Financial Performance | Financial performance is a metric used to evaluate how an organization achieves its objectives; service delivery and financial responsibilities. It can be measured using return on assets (Chepkorir, Langat, & Rugut, 2021). |
| Liquidity Gaps | The difference between liquid assets that is, cash or things that can be quickly converted to cash and liabilities |
| Parastatals | These are organizations that the government partly owns and they help in running essential functions for the government. |
| Participatory Budgeting | The process where parastatals involve stakeholders in designing a budget (Tahang, Usman, & Indrijawati, 2018). |
| Stakeholders' Involvement in Budget Implementation | Stakeholders' in the parastatals should be involved during the implementation process to |

ensure that financial resources are allocated relatively and used adequately (Cheboi, 2019).

Stakeholders' Involvement in Monitoring and Evaluation Parastatals need to involve stakeholders' in monitoring and evaluation of the budgets after they are implemented to guarantee that they continue to achieve their long-term objectives (AL Mahroqi & Mutriano, 2021).

CHAPTER 1

INTRODUCTION

1.1. Background of the Study

Participatory budgeting is the level of influence and participation that individuals feel during the process of designing a budget. This is founded on the belief that the more stakeholders participate in the budgeting process, the greater their sense of responsibility for meeting targets in each job area since they are active in budgeting. It is feasible for employees to bargain with superiors about budget targets they believe can be met when employee aspirations are essential in the budgeting process. By making the budgeting process public, budget participation allows employees to take an active role in their tasks and increases efficiency. However, some of the challenges which come with the implementation of participatory budgeting include; those in power can hijack the process to serve their interests, it has limited scope since most of the stakeholders' demands are immediate and requires support from management (Tahang, Usman, & Indrijawati, 2018).

A budget is a comprehensive plan that is officially defined in quantitative, financial, and non-financial measures for an organization's resource acquisition and use, as well as accountability centers, to carry out its activities within a given time frame. Therefore, a budget is an estimate of income and expenses for a given time period that is typically reviewed on a regular basis. It could also incorporate assets, liabilities, cash flows, and projected revenues and expenses. Fixed, movable, and optional payments are some budgetary components. The budget has an effect on how well parastatals perform. Budgeting can be used to

measure improvements in output, efficiency, and quality. Because it may be used as a performance benchmark for each accountability center, the budget also serves as a control tool (Muzahid, 2019).

Financial performance is an indication of how well an organization uses its resources, which is visible in the organization's working methods and changes in its revenue. It may also be described as the evaluation of the outcomes or the performance of the business. In order to evaluate business success, one can look at metrics like income from operations, operating revenue, flow of cash from operations, or total unit turnover. These outcomes are reflected in the company's return on assets. The analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt (Ngumi & Njogo, 2017).

The Scottish Government views participatory budgeting (PB), which has been on the rise in Scotland over the past few years, as a means of promoting greater citizen involvement in making of decisions. The Community Empowerment (Scotland) Act of 2015 formalized this goal, with the additional goal of empowering residents to have a greater say in the provision of services and choices that affect them. The Community Choices fund was set up by the Scottish government with this goal in mind; it is primarily used to provide financial support for and promote citizen participation in local budgeting processes. This state financial plan is locally implemented and includes a redistributive component with funding primarily for underprivileged communities. The fund has been used in several regional initiatives across Scotland that are part of a larger agenda centered on democratic innovation and engaged citizenship (Williams, Denny, & Bristow, 2017).

Because of an emphasis on participation, debate, and direct involvement in decision-making and social justice, the United States participatory budgeting initiatives are part of a more prominent family of PB. Most PB cases are adopted at the district level in the United States. Scholars, practitioners and participants have been able to renew democracy and advance equity which has claimed the impact of PB. They assert that PB promotes the trust, accountability, efficient decision-making process necessary for democratic governance and increases participation equality by bringing more underrepresented groups to the table and allocating more funding to their needs. PB processes in the US have had some success incorporating the view point of citizens with little political clout. However, there is less information on how PB increases financial equity (Pape & Lerner, 2016).

Participatory budgeting in England was also proven to draw more funding to underserved areas by offering a reliable technique for successfully allocating funds. Additionally, the PB process enhanced the quality of publicly available information and decision-making transparency. The use and scope of PB in the UK tend to be minimal compared to nations like France and Portugal and involve the distribution of minor subsidies. However, PB is not typically thought of as a way to bring about social change in the UK. Instead, it has frequently been employed to boost community engagement, empowerment, togetherness and pride (Williams, Denny, & Bristow, 2017).

Several billion dollars have been allocated in Brazil as a result of this public participatory process. Participatory budgeting has improved governance, citizen empowerment and democracy and has been linked to increased civil society

groups, health care spending and lower new-born mortality rates. As a result, Brazil has reaped significant public advantages from investing in participatory budgeting, and many other nations and governments continue to be inspired by it. Evidence of improved sanitation and education suggests that funding these programs pays well (Okumu, 2020).

Participatory budgeting in Uganda has evolved in two significant ways. First, interested citizens are invited to participate in the budget making process. Second, citizens are no longer allowed to propose policies or vote on the projects submitted by government employees. These programs are now much more consultative forms of participatory budgeting (Wampler & Touchton, 2017).

In the 2000s, the city of Durban tried out participatory budgeting. But after two cycles, the program was abandoned by government officials. The African National Congress opposed the strategy's widespread use. They assert that participatory budgeting promotes the trust, accountability, and efficient decision-making process necessary for democratic governance and increases participation equality by bringing more underrepresented groups to the table and allocating more funding to their needs. PB processes in the US have had some success incorporating the viewpoint of citizens with little political clout. However, there is less information on how PB increases financial equity. South Africa's republic incorporates public engagement as a crucial component of governance (Okumu, 2020).

Kenyans are paying more attention to budget procedures, and more information on controlling public spending is readily available. The budget is becoming more common as a tool for managing the economy. Budgets should motivate

subordinates to increase their output and efficiency by encouraging their participation during budget preparation. Participation in budgeting will enable individuals to participate and be responsible for the organization's performance. Including superiors and subordinates in participatory budgeting facilitates regulating asymmetric information and ambiguity of tasks. Through participatory budgeting, pressure on the study will be reduced and get job satisfaction, which can further improve its performance (Kerosi, 2018).

Most of the parastatals prepare budgets that cover a range of activities in their own different way. However, these parastatals undergo diverse challenges of budgeting in one way or another. Lack of or inadequate participation and commitment of the concerned stakeholders in the budgetary process is recognized as a major challenge. This leads to lower performance of the parastatals despite their being rated as crucial to the country in service provision and raising of revenue. The extent and effects of budget participation and commitment therefore, need to be investigated. (Muiruri, 2021).

State-owned companies like Kenya Power and Kenya Railways are categorized as loss-making due to their high levels of on-lending debt, enormous liabilities, and severe liquidity problems. Ineffective budgeting procedures and poor implementation of participatory budgeting are to blame. As a result of declining customer bases, the Kenya Broadcasting Corporation, East African Portland Cement Company, the Postal Corporation of Kenya, and the Kenya Post Office Savings Bank have all been labelled as parastatals with liquidity gaps in Kenya. This means that these parastatals are unable to meet their short-term financial

obligations. The 18 are a subset of Kenya's more comprehensive list of 260 State Corporations (Muiruri, 2021).

1.2. Statement of the Problem

Participatory budgeting is the process of involving subordinates and stakeholders in decision-making regarding the distribution of the organizations' funds. Individuals are more likely to collaborate on decisions regarding income and expenditures if they have a hand in creating the budget. Parastatals use budgets and budget processes just like any government institution to help ensure effective financial management. According to (Kandie, 2020), Participatory budgeting, if well implemented, could help improve the financial performance of an entity. Despite implementing the budget processes and participatory budgeting in parastatals, the National Treasury in its 2021 sectoral report cited 8 profit-making out of 18 key State parastatals as unable to meet their financial obligations. Even though participatory budgeting is used, financial analysis of the parastatals finds a Ksh.382 billion imbalance between liquid assets and liabilities for all parastatals over the next five years even as the exchequer faces competing needs. In a warning, Treasury cites specific parastatals whose mismatch between liquid assets and liabilities mirrors financial troubles that, if left unchecked, might develop into fiscal severe threats to the economy. Despite the Ksh.70 billion budget gap over the next five years, participatory budgeting has been promoted for the 18 specified parastatals (Muiruri, 2021). Studies conducted on participatory budgeting and financial performance in Kenya focused on county governments and city councils. Moreover, most studies showed mixed results amidst participatory budgeting and financial performance.

Therefore, the study sought to establish the effect of participatory budgeting on financial performance of parastatals with liquidity gaps in Kenya.

1.3. Objectives of the Study

1.3.1 General Objective

The main objective of this study was to establish the effect of participatory budgeting on financial performance of parastatals with liquidity gaps in Kenya.

1.3.2 Specific Objectives

- i. To determine the effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya.
- ii. To examine the effect of stakeholders' involvement in budget implementation on financial performance of parastatals with liquidity gaps in Kenya.
- iii. To evaluate the effect of stakeholders' involvement in monitoring and evaluation on financial performance of parastatals with liquidity gaps in Kenya.

1.4. Research Hypothesis

H₀₁: There is no significant effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya.

H₀₂: There is no significant effect of stakeholders' involvement in budget implementation on financial performance of parastatals with liquidity gaps in Kenya.

H₀₃: There is no significant effect of stakeholders' involvement in monitoring and evaluation on financial performance of parastatals with liquidity gaps in Kenya.

1.5. Significance of the Study

Government and policy makers may be able to understand the benefits that come with the implementation of participatory budgeting and its shortfalls as well. The information obtained may help the government formulate strategies and policies to improve the involvement of the public in the budget-making process. The findings may also help the government understand how the elements of participatory budgeting affect the efficient and effective management of the financial resources.

The research findings may help top-level management in parastatals during the budget-making and execution process. They may be able to appreciate the benefits that come with involving stakeholders' in the budget-making process. For instance, the higher the participatory level of assistants in the budgeting process, the higher the sense of responsibility of employees to achieve targets in each work area because they feel involved in budgeting. The stakeholders' may also benefit from the research findings by getting information that will help them know how their involvement in budget preparation will improve financial performance. Scholars may also benefit from this research because it may provide context for individuals who want to conduct additional research on participatory budgeting and financial performance, especially in parastatals since most studies have focused on county governments. The research's results and recommendations may also aid scholars in identifying and filling gaps in the literature.

1.6. Scope

The study was conducted in 8 profit-making parastatals with liquidity gaps in Kenya. The parastatals with liquidity gaps in Kenya include; Kenya Airways, Kenya Broadcasting Corporation, East African Portland Cement Company, Postal Corporation, Kenya Post Office Savings Bank, Kenyatta National Hospital, Athi Water Works Development Agency and Kenya Wildlife Service. These parastatals were unable to meet their financial obligation which leads to poor financial performance. The study was restricted to participatory budgeting of the parastatals with liquidity gaps in Kenya. Audited financial statements for the period 2019/2020 were used.

1.7. Limitation of the Study

It was not easy to access some of the officers due to their busy schedules during the delivery and collection of the questionnaires. This limitation was countered through frequent visitation to their offices by the research assistant. The respondents also showed some delays in filling of the questionnaires and this prompted persistent follow-ups by the researcher.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter includes, theoretical framework, review of the empirical literature, critique and research gaps.

2.2 Theoretical Review

This research was guided by budget theory, resource dependence theory and Agency theory.

2.2.1 Budget Theory

The theory was propounded by Carter (1985). It explains the social motivation behind government budgeting. In major industrial firms in the 1920s, budgets were first utilized to control expenses and cash flows. John (2008), as an initial step, budgeting centered on collecting and presenting reliable data for legitimate responsibility, accurate performance evaluation, and fair rewards. However, as commercial organizations have grown more sophisticated and their environments have gotten more dynamic, the function and focus of budgeting have been altered significantly. The advent of scientific management philosophy, on the other hand, prioritized the use of precise data as a foundation for decision-making, leading to significant improvements in management accounting and budgeting procedures.

According to (John, 2008), today's budgets work as the organization's nerve center, coordinating and guiding operations and allowing for greater oversight. At the administrative and operational levels, budgeting anticipates the future and outlines the tasks that must be completed. Control guarantees that the plans are

followed and that remedial measures are performed when deviations or deficiencies occur. Without adequate controls, a business is vulnerable to internal and external influences that could impair its effectiveness while going unnoticed; such a business will be powerless to resist such forces. Wildavsky and Jr (2014) consider the budget as the government's blueprint. The budget is a compilation of future income and expenditures projections, suggesting a plan for future endeavors and the means to fund them. Just by looking through the budget, one can gain a better sense of the government's long-term financial strategy as a whole.

This theory examines the guidelines that must be followed during the budget-making process. Budget theory focuses on ensuring that budgets are prepared and implemented on time. The actual and budgeted outcomes are compared regularly to ensure that managers take action, that policy objectives are met, or even to offer a foundation for policy reform. This idea was thus appropriate for the research of participatory budgeting. It helped explain to stakeholders what budgeting entails and this ensures that targets are achieved.

2.2.2 Resource Dependence Theory

This theory was projected by Salancik and Pfeffer (1978). Resource dependence theory (RDT) states that the organization, for instance, a business firm must be involved in transactions with other actors and organizations in its environment to acquire resources. The central tenet of Resource Dependency Theory is that an organization's decisions and behaviors may be understood in the context of the degree to which they depend on a particular resource. This theory also assumes two additional things: that strategic cooperation for mutual dependency

and the development of the conditions necessary for relying on a partner to feel powerful and confident in a relationship. The center of resource dependency theory is on the role of managers in facilitating access to the resources needed by the firm.

(Werner, 2008) criticizes this theory in that it does not sufficiently justify why organizations should be viewed mainly as political systems and not or to a lesser extent as technical and economic systems. In particular, economic factors were disregarded to explain mergers. He argues that economic theories where costs and efficiency are at the center of attention and not uncertainty or power could also explain many other phenomena just as well or even better than resource dependence theory. In addition to this, empirical studies do not measure resource dependency but simply the exchange of goods as usual in economic theory and thus it could be economic and not political power motives that caused the correlation reported in empirical studies.

According to Werner (2008), in resource dependence theory, according to the notion of resource reliance, when an organization depends too much, it may create uncertainty, leaving them open to the possibility of external control. Uncertainty primarily stems from the state of the environment. The dispersion of vital resources affects the degree of uncertainty present. According to resource dependency theory, an organization's success depends on its ability to identify and secure the "essential" resources provided by its external environment.

Zehir, Findikli and Celtekliligil (2019) assert that companies may obtain resources from their surroundings and that other organizations with a similar setting would also wish to do so. The concept of resource reliance also emphasizes how, as an

organization changes its techniques for getting help, so does its level of dependency on the environment or other organizations.

Resource dependency theory emphasizes on the role of administrators in acquiring necessary resources for a company through their links to the outside world. It has been hypothesized that providing resources would boost organizational effectiveness, business success, and chances of survival. Resource dependence theory thus complemented the study of participatory budgeting in parastatals. The managers are able to distribute the sourced resources to the various departments during the budget-making process. Through participatory budgeting, resources will be well utilized with the idea of stakeholders in order to achieve financial performance.

2.2.3 Agency Theory

Jensen and Meckling put forth the agency theory (1976). They proposed a philosophy of corporate governance predicated on the inherent tension between shareholders, executives, and creditors. The goals and concerns of each of these subsets vary. The agent acts on behalf of the principal in an agency relationship. Agents make decisions on behalf of their principals. Because the agent decides on many matters that have monetary consequences for the principle, tensions might occur if the principal and the agent have different priorities. Agency theory states that there is a fundamental tension between the principal's and the agent's goals. This circumstance is known as the principal-agent problem.

Schoorman and Donaldson (1997) scholars have ridiculed agency theory. For instance, the approach was biased since it characterized representatives' actions as selfish and ignored their dedication, happiness, and professionalism when

pursuing their principal's goals. As a result, evaluating several principals and representatives can be problematic, especially if they are at different levels of management. Regardless of the critiques, the premise is essential to the current investigation. According to Francine (2002) in agency theory, the principal and agent enter into a contractual relationship with the expectation that the agent will perform in the principal's interests at all times. The foundation of public budgeting is the interaction between those who offer agency services and those who finance service providers. If the principal-agent issues are not addressed, low administrative standards, such as revenue mismanagement, may worsen.

David (2012), states that the premise is that the company includes both the owners of economic resources and the agents responsible for overseeing those resources on behalf of the principal. Agents frequently pursue their own agendas at the expense of the owner, who they claim to be representing. The separation of ownership and the delegation of policy execution authority to the agents make this situation worse. Agents' obsession with self-centeredness is the fundamental problem.

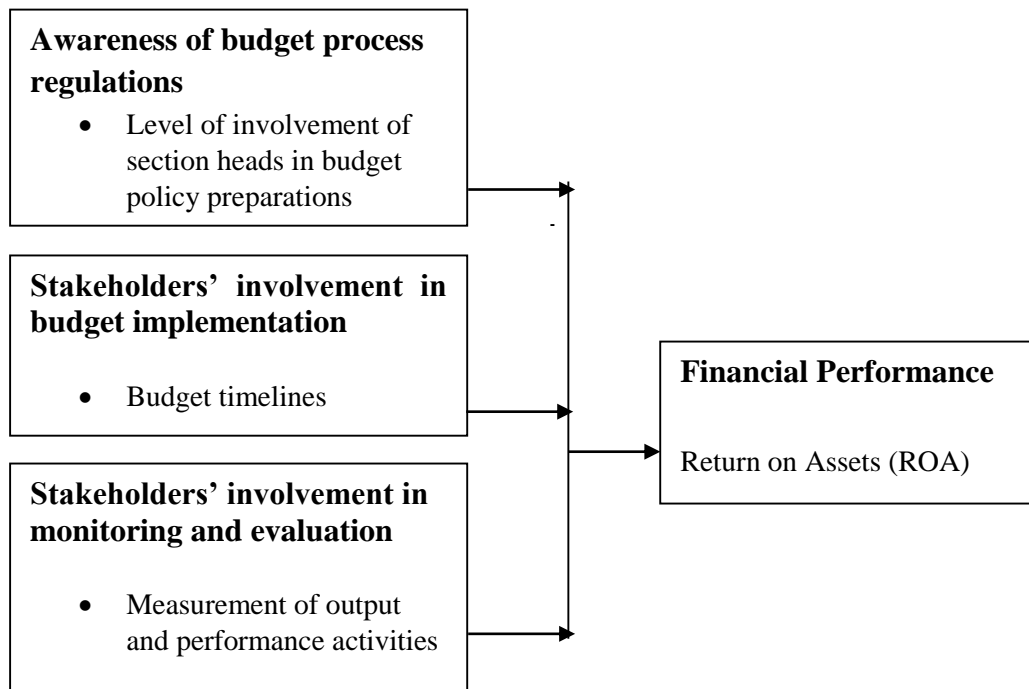
Dzomira (2017), according to the agency theory of public administration, authorities should take action and be accountable for how their decisions affect citizens. The people are the principal in public sector administration, as opposed to the private where the stakeholders are the principal. If resources were misused while providing services, the agents are liable. Public sector expenditure has a history of including wasteful and meaningless spending, irregular spending, and illegal spending.

Agency theory was essential in the study of participatory budgeting in parastatals. This theory helped in understanding the existence of participatory budgeting, which helped in ensuring that shareholders' priority is considered during budgeting. Participatory budgeting also helps reduce the agency problem as it emphasizes the involvement of all parties and considers their priorities.

2.3 Conceptual Framework

Conceptual framework consists of the independent and dependent variables. The dependent variable is financial performance while the independent variable consists of awareness of budget process regulations, stakeholders' involvement in budget implementation and stakeholders' involvement in monitoring and evaluation.

Figure 2.1: Conceptual Framework



Independent Variable

Dependent Variable

(Researcher's conceptualization, 2022)

2.3.1 Awareness of Budget Process Regulations

Awareness of budget process regulations is where stakeholders' and subordinates have good knowledge of the set budgeting guidelines. For an effective budgetary process the guidelines have to be adhered to by everyone involved. Awareness of the regulations could be created through public forums, social media and websites. This variable was measured using the level of involvement of section heads in budget policy preparations. The purpose was to determine the level of awareness of the budget guidelines by the stakeholders' and the management (Gichure & Abwao, 2018).

2.3.2 Stakeholders' Involvement in Budget Implementation

Budget implementation is the execution phase of budgeting and entails allocation and utilization of financial resources to planned expenditures and activities. Stakeholders' should be involved during the implementation process to ensure that financial resources are allocated relatively and used adequately. This ensures achievement of the set targets and proper utilization of the available resources. It was measured using budget timelines which aimed at determining whether these parastatals prepare and implement budgets on time or not (Cheboi, 2019).

2.3.3 Stakeholders' Involvement in Monitoring and Evaluation

Evaluating a budget entails contrasting actual expenditures with those projected. To guarantee financial success, participation of stakeholders' in monitoring and evaluation is essential. The budgets must be monitored and evaluated after they are implemented to guarantee that they continue to achieve their long-term objectives. One may contend that tracking the budget's performance is one of the best ways to maintain budgetary control because it enables the identification of

where and when discrepancies and gaps occur. Since it is an endless process that takes place over a set period of time, it must deliver reports on time so that the organization's management may remedy any discrepancies. Measurement of output and performance activities was used to measure this variable. Its goal was to determine whether the parastatals under study involve the stakeholders in monitoring and evaluation of the budgets after implementation (AL Mahroqi & Mutriano, 2021).

2.3.4 Financial Performance

A firm's financial performance can be defined as how well it satisfies its financial obligations over time. The following metrics can be used to evaluate financial performance: functional revenue, total revenues, cash flow from operations, and total unit sales. Stronger internal controls and better budgetary planning processes have been identified to be characteristics of parastatals with better financial management practices. These steps entail developing and approving fundamental budget planning policy papers in line with the law, having a strong workforce structure to carry out budget planning, enticing public participation, and putting in place complex plans to assure maximum revenue collection (Chepkorir, Langat, & Rugut, 2021).

2.4 Empirical Literature Review

2.4.1 Awareness of Budget Process Regulations and Financial Performance

Kandie (2020) studied the effect of public participation on the budgeting process in Kenya; A case study of Mombasa County government. Descriptive research was adopted to obtain a sample of 570 workers from a targeted population of

3800 employees. The study used both primary and secondary data. Data were summarized using descriptive statistics and Pearson correlation analysis helped in predicting the link between the study variables. It concluded that better citizen involvement encouraged budgetary allocation in Mombasa County and that carefully managed citizen involvement programs connected to both the planner's and residents' expectations. The quality of the budget preparation process was found to be positively correlated with the public involvement procedures used in the budget monitoring process.

Hassan (2019) carried out a study on the comparative evaluation of the implementation of public participation guidelines in Kenyan county governments. A research design based on a quantitative method approach was adopted. Primary data was used to complement secondary qualitative research. The population targeted by the study was public participation officers. Secondary data was collected through a desk survey from legal doctrine approved by the county government of Kenya, policies, legal literature and documentation from journals, books and scholarly thesis. Qualitative data were coded using structured and emergent coding and then analyzed. Descriptive statistics were used in cases of any quantitative data necessary for this study. Despite numerous successes in the public participation processes, the findings from the three county governments revealed issues with tactics adopted, unfavorable attitudes from individuals, and the administrative procedures.

Gichure and Abwao (2018) examined the influence of public participation on budget implementation by Kenya city counties. The correlation between the independent and dependent variables was analyzed through a survey-based ex

post facto descriptive research design. The County Integrated Development Plans and financial reports of the counties under consideration were used for secondary data collection, while questionnaires were used for primary data collection. Data were analyzed using SPSS software and descriptive statistics like averages, proportions and standard deviation were utilized to explain the results. Linear regression and spearman analysis were also used to show the connection amidst the study variables. The study found a positive, statistically significant link between public participation and meeting budget goals.

2.4.2 Stakeholders' Involvement in Budget Implementation and Financial Performance

Kibet, Tarus and Wanza (2021) studied the effect of public participation strategies on achievement of sustainable development in Baringo County, Kenya. Concurrent triangulation design was employed and it allowed the collection of both qualitative and quantitative data. The study targeted six sub-counties in Baringo County. In-depth interviews and questionnaires were used to compile the primary data. Descriptive and inferential statistics, as well as thematic content analysis were used to explore the data. According to the report, Baringo County citizens barely participated in development efforts. A correlation study in Baringo County revealed a positive correlation between sustainable development and public participation. The county didn't consistently exercise public participation practices, which made it difficult to meet its sustainable development goals.

Munyao (2019) studied the influence of public participation on public accountability in Kenya. The study sought to establish why an increase in public

participation has not led to the rise of public participation in many areas of the world. A descriptive case study research design was the method used for the investigation. While primary data was gathered through questionnaires and interview guides, secondary data was gathered from websites and the Auditor General's Office. The results of the study demonstrated how consistently occurring flaws in the public participation process had an impact on the final outcome of public participation and, as a result, undermined public accountability.

Kipyego and Wanjare (2017) examined public participation and budgeting processes within the county government of Nandi, Kenya. The study adopted a descriptive survey design targeting 75 Community-Based Organizations (CBO) within Nandi County to facilitate collecting qualitative and quantitative data from the respondents. The size of the sample was determined by employing a stratified random sampling strategy. Primary data was obtained through interviews and structured questionnaires. After data analysis, replies were displayed as frequencies and percentages. The study discovered that stakeholders' involvement improves accountability and transparency while improving the quality of the budgeting process.

2.4.3 Stakeholders' Involvement in Monitoring and Evaluation and Financial Performance

Nyong'a and Gachanja (2021) conducted a study on public participation in the policy-making process: An evaluation of Makueni County, Kenya. The study embraced a descriptive research design and targeted 884 527 residents of Makueni and 217 county staff from the public service department. Stratified

sampling was utilized to identify 117 personnel, and simple random sample was used to identify obtain 396 residents. The primary data was gathered via questionnaires and focus group discussions. Both linear regression and descriptive statistics were used to analyze the qualitative data.

Ronoh (2020) examined public participation for sustainable development in a devolved system of governance in Kenya. The study adopted a contemporaneous triangulation research design and the pragmatism philosophical paradigm. The study's target population was 807,372 and 383 respondents were selected for the sample size through multistage cluster and simple random selection techniques. To gather primary data, interview schedules and questionnaires were used. Public participation and demographic variables revealed a statistically significant relationship according to the chi-square test for independence since the value of 0.000 was less than 0.05.

Rwigi (2018) carried out a study on the effect of participatory budgeting on healthcare services in Makueni sub-county. To analyze the participatory budgeting process in Makueni sub-county, the study used a case study methodology. To choose pertinent respondents for the study, snowball and purposeful sampling were both used. Twenty-two semi-structured interviews and two unstructured interviews were conducted. Interview sections were used to collect primary data and secondary data was gathered through analysis of document and records. The data collection process used an iterative methodology. Descriptive statistics, theoretical arguments, and pattern matching techniques were used to analyze the data. From the findings, formal participatory frameworks do make sure that pro-poor fiscal policies are created.

2.5 Critique and Research Gap

Table 2.1: Critique and Research Gaps

| Author (Year) | Title | Findings | Research Gaps | Focus of the study |
|-------------------------------|---|---|---|--|
| Kandie (2020) | The effect of public participation on the budgeting process in Kenya; A case study of Mombasa County government. | According to the research's findings, better citizen involvement encouraged budgetary allocation in Mombasa County, and well-planned citizen involvement programs related to residents' and planners' expectations. | The study was done in Mombasa County, which cannot be used to generalize in parastatals. | The study targeted a larger population to make it easier for generalizations. |
| Hassan (2019) | The comparative evaluation of the implementation of public participation guidelines in Kenyan county governments. | Despite numerous successes in the public participation processes, the findings from the three county governments showed there are still issues with tactics adopted, unfavorable attitudes from individuals, and administrative procedures. | Due to the problems discovered, more studies are needed in this area. | This study focused on public participation in parastatals. |
| Gichure and Abwao (2018) | The influence of public participation on budget implementation by Kenya city counties. | The findings of the study showed a positive and statistically significant correlation between public participation with budget implementation | The study concentrated on budget implementation. | The study focused on the whole budgetary process. |
| Kibet, Tarus and Wanza (2021) | The effect of public participation strategies on achievement of sustainable development in Baringo county, Kenya. | The research showed minimal participation of Baringo county residents in development initiatives. | The study was conducted in Baringo county only and case studies do not give enough information for the analysis. | The study used a bigger scope to enable easy generalizations. |
| Munyao (2019) | The influence of public participation on public accountability in Kenya. | The results of the analysis demonstrated that there were consistent flaws in the public participation process that had an impact on the final result and, as a result, undermined public accountability. | The study targeted the whole country which is tedious to get all the relevant information. | The study targeted parastatals, giving relevant information because the scope is manageable. |
| Kipyego and Wanjare (2017) | Public participation and budgeting process within the county government of Nandi, Kenya. | The study established that public participation enhances the quality of the budgeting process, and the involvement of | The study was carried out in Nandi county which does not have the same characteristics with parastatals therefore the | The study was carried out in parastatals to determine the effect of |

| | | | | |
|-----------------------------|---|---|---|---|
| Nyong'a and Gachanja (2021) | Public participation in the policy-making process: An evaluation of Makueni county, Kenya. | stakeholders enhances accountability and transparency. The study established low levels of public participation in policy-making processes in the county and residents were not aware of their democratic rights and opportunities for their involvement in policy-making processes. | findings cannot be generalized. There is a need for more studies on public participation in government institutions. | public participation on performance. The study focused on parastatals which are owned by the government. |
| Ronoh (2020) | Public participation for sustainable development in a devolved system of governance in Kenya. | The findings of the study showed that public participation enhances sustainable development. | The study focused on finding out the effect of public participation on sustainable development. | The study aimed at determining the effect of public participation on financial performance in parastatals. |
| Rwigi (2018) | The effect of participatory budgeting on healthcare services in Makueni sub-county. | The study concluded that formal participatory frameworks do ensure the formulation of pro-poor fiscal policies. Additionally, it has promoted citizen participation in the budget-making process. | Makueni sub-county is too narrow to be used to make generalizations. | The study employed a larger scope to enable easy generalizations. |

Source: Researchers' conceptualization (2022)

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter explains the methodology of the research which entails the methods and procedures that were used in the study. It presents the research design, research philosophy, the target population, sampling and sampling technique, research instruments and data collection procedures. The chapter also covers the methods for gathering and analyzing data as well as the processes used to measure the validity and reliability of the tools used.

3.2 Research Philosophy

A research philosophy is a set of principles for how information should be obtained, analyzed and used to comprehend a phenomenon. The study adopted a pragmatism philosophy. Pragmatism was relevant to the study since according to the study's objectives, the state of financial performance needed to be established to determine how participatory budgeting helps improve financial performance. The pragmatist principle states that researchers should use whatever philosophical or methodological approach proves to be the most fruitful in solving the problem at hand. It sometimes occurs with mixed or multiple-method studies, where the focus is on the study topics and their consequences rather than the approach itself (Sekaran & Bougie, 2015).

3.3 Research Design

Research design involves collecting, measuring and analyzing the collected data (Cooper & Schindler, 2014). A correlational research design was adopted which allows for the examination of correlations between variables without the

intervention of the researcher. Correlational research design helps in understanding the complex connection amidst different variables. This methodology was appropriate for the study since it made it easier to determine the relationship between the two variables; participatory budgeting and financial performance.

3.4 Target Population

The population for which the researcher hopes to generalize the results of the study is known as the target population (Kerosi, 2018). The study's target population was 424 officers consisting of 8 procurement officers, 240 procurement clerks, 8 finance officers, 76 accountants and 8 managing directors from 8 parastatals with liquidity gaps in Kenya. The target population was purposively chosen since the respondents held key information to the study.

Table 3.1: Target Population

| Category | Number |
|----------------------|---------------|
| Procurement Officers | 8 |
| Procurement Clerks | 240 |
| Finance Officers | 8 |
| Accountants | 160 |
| Managing Directors | 8 |
| Total | 424 |

Source: Parastatals Human Resource Registry

3.5 Sample Population and Sampling Technique

A sample represents the entire population under study and has similar characteristics to the population. The study used Fischer's method to obtain the sample size.

$$\text{Fischer's method; } n_0 = z^2 p(1 - p) / I^2$$

Where; n_0 is the preferred sample size

z is the normal standard deviation at confidence level 95%, which is 1.96

p is the proportion of the target population with the desired characteristics.

This study assumed 50:50, a probability of 0.5

$(1-p)$ the balance from p to add up to 100%

I^2 The degree of precision which is 5%

$$n_0 = \frac{1.96^2 \times 0.5^2}{(0.05)^2} = 384$$

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

$$n = \frac{384}{1 + \frac{(384 - 1)}{424}}$$

$$n = \frac{384}{1 + 0.903302} = 201.75$$

$$n \approx 202$$

Table 3.2: Sample Distribution Table

| Category | Number |
|----------------------|------------|
| Procurement Officers | 4 |
| Procurement Clerks | 114 |
| Finance Officers | 4 |
| Accountants | 76 |
| Managing Directors | 4 |
| Total | 202 |

3.6 Data Collection Instruments

In order to gather primary data, questionnaires with closed-ended questions were used. Questionnaires were appropriate for data collection because they are less expensive, practical, offer a quick way of getting information and are simple and clear. Secondary data was obtained through analysis of reports including audited financial statements of the parastatals.

3.7 Data Collection Procedure

The researcher personally delivered the questionnaires to the respondents, assisted by research assistants and allowed them a period of two weeks to complete the questionnaires. After the time period was over, the questionnaires were gathered. A data collecting sheet was used to gather secondary data. Audited financial records were reviewed to compile the information needed for the data collecting sheet.

3.8 Pilot Study

The pilot study was conducted at the Kenya Power and Lightning Company where 28 questionnaires were distributed to procurement officers, procurement clerks, accountants and finance officers. The company had similar characteristics to the other parastatals under study with liquidity gaps; hence it was ideal for a pilot study. The questionnaires were evaluated for reliability and validity using the Statistical Package for Social Sciences after they had been returned.

3.8.1 Reliability

According to (Chebet & Kennedy, 2019), if a measuring tool yields repeatable results, it is regarded as reliable. This means that if the tool is used repeatedly, the results should be consistent. Reliability was assessed using Cronbach's alpha

coefficient where a value of greater than 0.70 was regarded as reliable, whereas a value of less than 0.70 deemed unreliable.

Table 3.3: Cronbach’s Alpha Reliability

| Construct | Number of Items | Cronbach’s alpha | Conclusion |
|--|-----------------|------------------|------------|
| Awareness of Budget Process Regulations | 10 | 0.892 | Reliable |
| Stakeholders’ Involvement in budget Implementation | 10 | 0.890 | Reliable |
| Stakeholders’ Involvement in Monitoring and Evaluation | 10 | 0.851 | Reliable |

Table 3.3 shows that the Cronbach alpha values for awareness of budget process regulations, stakeholders’ involvement in budget implementation and stakeholders’ involvement in monitoring and evaluation were 0.892, 0.890 and 0.851. According to the results, all Cronbach’s alpha values were greater than 0.7; hence all the constructs were deemed reliable.

3.8.2 Validity

The degree to which the gathered data are consistent with the topic of the study is known as validity (Chebet & Kennedy, 2019). Confirmatory Factor Analysis was used to assess whether the instrument's content was legitimate (CFA). The adequacy of the data for factor analysis was examined using Bartlett's test and the Kaiser-Mayer-Olkin (KMO) test. To make sure that the questionnaire's material was useful, appropriate and pertinent to the study, research specialists including my supervisors, critically reviewed the questionnaire's validity.

In the KMO test, values more than 0.5 are considered proper for factor analysis. The Bartlett's Test was used to see if the variances of the constructs were the same, and a significant test result indicated that the data was ideal for factor analysis.

Table 3.4: KMO and Bartlett's Results

| Construct | Items retained | Bartlett's test | | | | |
|--|----------------|-----------------|-------|---------|---------|-------|
| | | AVE | KMO | Df | P-Value | |
| Awareness of Budget Process Regulations | 10 | 0.566 | 0.812 | 616.883 | 45 | 0.000 |
| Stakeholders' Involvement in Budget Implementation | 10 | 0.601 | 0.807 | 607.763 | 45 | 0.000 |
| Stakeholders' Involvement in Monitoring and Evaluation | 10 | 0.549 | 0.808 | 573.502 | 45 | 0.000 |

Table 3.4 shows that KMO statistics for all constructs were greater than 0.5 hence considered appropriate for factor analysis. All the Bartlett's χ^2 had p-values of 0.000 which are less than 0.05 and are significant at 5% level of significance. This demonstrates that the data from the pilot study is enough for factor analysis, hence validating the results.

3.9 Data Analysis and Presentation

Data were analyzed using Statistical Package for Social Sciences (SPSS). Descriptive statistics which include percentages and frequencies and inferential statistics which have binary linear regression model and Pearson correlation coefficient were generated. The model was tested based on the following assumptions; normality, multicollinearity, heteroscedasticity and autocorrelation.

Data were presented using tables.

The following multivariate regression model was used to examine the connection between financial performance and participatory budgeting;

$$Y = \beta_0 + \beta_1 ABPR + \beta_2 SIBI + \beta_3 SIME + \varepsilon \dots\dots\dots 3.1$$

Where;

Y is the Financial Performance

β_0 is the intercept that measures financial performance

β_1 To β_3 are the slope coefficient

ABPR is awareness of budget process regulations

SIBI is stakeholders' involvement in budget implementation

SIME is stakeholders' involvement in monitoring and evaluation

ε is the error term

3.10 Ethical Consideration

The University Directorate of Graduate Studies and the National Commission for Science, Technology, and Innovation (NACOSTI) granted the researcher permission to perform the study. The researcher made sure that the information and data from the respondents were treated with secrecy, used only for academic purposes, and kept anonymous. Collected data was kept safe from access by unauthorized users.

CHAPTER 4

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter presents analyzed data, outcomes, and discussions of the findings. The section is split into response rate, descriptive statistics and inferential statistics.

4.2 Response Rate

The research targeted 202 respondents from 8 parastatals with liquidity gaps in Kenya. A total of 202 questionnaires were delivered to the particular respondents in the parastatals under study. Respondents who returned their questionnaires were 172 while those who failed to respond were 30.

Table 4.1: Response Rate

| Targeted Respondents | Returned Questionnaires | Response Rate (%) |
|----------------------|-------------------------|-------------------|
| 202 | 172 | 85.15% |

The findings in Table 4.1 indicate an 85.15% response rate. According (Kothari, 2009) states that a rate of response of at least 75% is considered suitable for data analysis, hence the response rate for this study fell within that suitable range for data analysis.

4.3 General Information

4.3.1 Demographic Analysis

A question was asked to determine how long the respondents had stayed in their organizations. According to Table 4.2, most of the respondents 74.0% have worked for their respective companies for at least two years.

Table 4.2: How long have you worked in the Firm

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Below one year | 15 | 8.6 | 8.6 |
| 1-2 years | 30 | 17.4 | 26.0 |
| 2-3 years | 53 | 31.0 | 57.0 |
| 3-5 years | 52 | 30.2 | 87.2 |
| 6 years and above | 22 | 12.8 | 100.0 |
| Total | 172 | 100.0 | |

The results indicate that those who responded had noble know-how of how the budgeting process is executed in their organizations and would give relevant information for the study.

4.3.2 Level of Education

In order to assess whether or not the respondents could properly perform their jobs effectively, the researcher queried the respondents about their education level.

Table 4.3: Level of Education

| | Frequency | Percent | Cumulative Percent |
|--------------|------------------|----------------|---------------------------|
| Certificate | 13 | 7.6 | 7.6 |
| Diploma | 35 | 20.3 | 27.9 |
| Bachelors | 70 | 40.7 | 68.6 |
| Masters | 39 | 22.7 | 91.3 |
| Ph.D. | 15 | 8.7 | 100.0 |
| Total | 172 | 100.0 | |

Table 4.3 shows that 72.1% of the respondents had a bachelor's degree and above. Therefore, the respondents had the required qualifications.

4.4 Descriptive Statistics

To explore the effect of participatory budgeting on financial performance of parastatals with liquidity gaps in Kenya the study was arranged into three variables.

4.4.1 Awareness of Budget Process Regulations and Financial Performance

The respondents were asked whether the stakeholders' priority was taken into consideration during the budgeting process. In accordance with Table 4.4, out of the 172 respondents, 70 (41.0%) strongly disagreed, 80 (46.5%) disagreed, 10 (5.8%) remained neutral, while 9 (5.0%) agreed and 3 (1.7%). From the findings, in most of the parastatals, stakeholders' priorities are not considered during budgeting. This indicates that the managers consider their interests before the interest of the stakeholders. On the other hand, few of the parastatals take into consideration the priority of stakeholders. This will ensure that their interests are considered first, ensuring good financial performance.

Table 4.4: Priority of Stakeholders

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 70 | 41.0 | 41.0 |
| Disagree | 80 | 46.5 | 87.5 |
| Neutral | 10 | 5.8 | 93.3 |
| Agree | 9 | 5.0 | 98.3 |
| Strongly agree | 3 | 1.7 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were also asked to give an opinion on whether the employees are conversant with the budgeting guidelines. Table 4.5 implies that 40 (23.3%) of the targeted respondents strongly disagreed, 75 (43.6%) disagreed, 35 (20.3%) remained neutral, 15 (8.7%) agreed and 7 (4.1%) strongly agreed. The study's findings show that most parastatals employees are not familiar with the budgeting guidelines. This implies that they may not be able to present their budget targets on time, which may affect implementation and hence failure in achieving their targets. This leads to poor financial performance. However, in

few parastatals employees are conversant with budgeting guidelines and this helps in making the budget process an easy task for those involved.

Table 4.5 Employees are Conversant with Budgeting Guidelines

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 40 | 23.3 | 23.3 |
| Disagree | 75 | 43.6 | 66.9 |
| Neutral | 35 | 20.3 | 87.2 |
| Agree | 15 | 8.7 | 95.9 |
| Strongly agree | 7 | 4.1 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were asked whether tasks and responsibilities were adequately defined or not. Table 4.6 shows that out of the total 172 respondents 10 (5.8%) strongly agreed, 17 (9.9%) agreed, 43 (25.0%) were neutral, while 52 (30.2%) disagreed and 50 (29.1%) strongly disagreed. From the results, in most parastatals tasks and responsibilities are not defined well. Due to these, conflicts may arise between employees and managers since none of them is aware of their duties and this may lead to poor performance. The results also show that in a few parastatals, tasks and responsibilities are defined well. With this, everyone knows what is expected of them, hence working towards achieving good financial performance.

Table 4.6: Tasks and Responsibilities are Adequately Defined

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 50 | 29.1 | 29.1 |
| Disagree | 52 | 30.2 | 59.3 |
| Neutral | 43 | 25.0 | 84.3 |
| Agree | 17 | 9.9 | 94.2 |
| Strongly agree | 10 | 5.8 | 100.0 |
| Total | 172 | 100.0 | |

The researcher wanted to find out if the procedures and policies on budgeting are clearly outlined and well-known to employees. As shown in Table 4.7, out of the 172 respondents who returned their questionnaires, 42 (24.5%) agreed, 18 (10.5%) strongly agreed, 30 (17.4%) remained neutral, 57 (33.1%) disagreed and 25 (14.5%) strongly disagreed. This suggests that in most of the parastatals resources could be inadequately distributed to the various departments leading to poor performance since the employees do not know the procedure and policies well. However, in a few of the parastatals, procedures and policies of budgeting are known to employees. This shows that the budget process could be carried out effectively since in these parastatals employees understand the policies and procedures well.

Table 4.7: The Procedures and Policies on Budgeting are Clearly Outlined

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 25 | 14.5 | 14.5 |
| Disagree | 57 | 33.1 | 47.6 |
| Neutral | 30 | 17.4 | 65.0 |
| Agree | 42 | 24.5 | 90.5 |
| Strongly agree | 18 | 10.5 | 100.0 |
| Total | 172 | 100.0 | |

Respondents were asked if participatory budgeting leads to good financial performance in their organizations. Table 4.8 indicates that 10 (5.8%) strongly disagreed, 18 (10.5%) disagreed, 45 (26.1%) remained neutral, 68 (39.5%) agreed and 31 (18.1%) strongly agreed that participatory budgeting leads to good financial performance. This means that with good inclusion of subordinates and other stakeholders in the budget-making process, resources would be fairly distributed and this will help in achieving their financial goals; hence financial performance could be enhanced in these parastatals.

Table 4.8: Participatory Budgeting leads to Good Performance

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 10 | 5.8 | 5.8 |
| Disagree | 18 | 10.5 | 16.3 |
| Neutral | 45 | 26.1 | 42.4 |
| Agree | 68 | 39.5 | 81.9 |
| Strongly agree | 31 | 18.1 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were asked whether the management conducts forums to create awareness on policies about spending. From the results, out of the 172 respondents, 3 (1.7%) strongly agreed, 18 (10.5%) agreed, 49 (28.5%) remained neutral, while 62 (36.0%) disagreed and 40 (23.3%) strongly disagreed. Findings show that majority of the respondents who returned their questionnaires disagreed that the management conducts forums to create awareness about spending. This implies that in most of the parastatals funds might be misused or used for the wrong purposes and hence the organization's financial objectives end up not being achieved, thus causing poor financial performance. However, in a few parastatals, awareness about spending is usually created and when funds are used rightfully financial objectives are met; hence good financial performance is achieved.

Table 4.9: The Management Conducts Forums to Create Awareness

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 40 | 23.3 | 23.3 |
| Disagree | 62 | 36.0 | 59.3 |
| Neutral | 49 | 28.5 | 87.8 |
| Agree | 18 | 10.5 | 98.3 |
| Strongly agree | 3 | 1.7 | 100.0 |
| Total | 172 | 100.0 | |

Respondents were asked if awareness of budget regulations is created for the subordinates through focus groups. Findings of the study show that 9 (5.3%) strongly disagreed, 24 (14.0%) disagreed, 46 (26.7%) remained neutral, 63 (36.6%) agreed and 30 (17.4%) strongly agreed. Results show that in most parastatals focus groups are formed to create awareness. This indicates that in these parastatals websites are designed and focus groups are formed whose main aim is to create awareness of budget regulations among the subordinates. This will impact the budget-making process positively hence good performance. On the other hand, in a few of the parastatals, focus groups are not created and this shows that awareness is not created, which could lead to failure of the budget-making process, which could hinder financial performance. They should thus form focus groups and develop websites to enhance awareness.

Table 4.10: Focus Groups are formed to Create Awareness to the Subordinates

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 9 | 5.3 | 5.3 |
| Disagree | 24 | 14.0 | 19.3 |
| Neutral | 46 | 26.7 | 46.0 |
| Agree | 63 | 36.6 | 82.6 |
| Strongly agree | 30 | 17.4 | 100.0 |
| Total | 172 | 100.0 | |

The researcher wanted to know whether the parastatals under study have websites to aid in creating awareness among the subordinates. The outcomes in Table 4.11, indicate that most of the respondents, 37 (21.5%) strongly agreed, 50 (29.0%) were neutral, 51 (29.7%) agreed, 24 (14.0%) disagreed and 10 (5.8%) strongly disagreed. The results show that most parastatals have excellent websites which means that employees and management are aware of the budget regulations. This makes the budget process an easy task to complete and its targets achieved. However, a small percentage strongly disagreed and disagreed.

From the results, it is certain that some of these parastatals do not have websites for creating awareness which could imply that the subordinates are not aware and this may hinder financial performance due to the poor budgeting process.

Table 4.11: The Firm has Created Websites to Create Awareness

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 10 | 5.8 | 5.8 |
| Disagree | 24 | 14.0 | 19.8 |
| Neutral | 50 | 29.0 | 48.8 |
| Agree | 51 | 29.7 | 78.5 |
| Strongly agree | 37 | 21.5 | 100.0 |
| Total | 172 | 100.0 | |

A question was asked to determine whether the subordinates in these parastatals have good knowledge due to their participation in the budgeting process. According to the results in Table 4.12, it is clear that 12 (6.9%) strongly disagreed, 33 (19.2%) disagreed, 38 (22.1%) were neutral, 66 (38.4%) agreed and 23 (13.4%) strongly agreed. Results show that most respondents agreed that subordinates in these parastatals have good knowledge of budgeting which is attributed to participatory budgeting. This implies that in most of these parastatals participatory budgeting is well implemented and this motivates employees to work towards achieving their financial obligations hence good performance. In a few parastatals, the subordinates do not have good knowledge of budgeting and may end up presenting less or more of what their departments require. This may lead to inadequate resources and hence unable to achieve their budget targets which could lead to poor financial performance.

Table 4.12: The Subordinates have good Knowledge of Budgeting

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 12 | 6.9 | 6.9 |
| Disagree | 33 | 19.2 | 26.1 |
| Neutral | 38 | 22.1 | 48.2 |
| Agree | 66 | 38.4 | 86.6 |
| Strongly agree | 23 | 13.4 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were asked if the resources needed by each department for running their activities are adequately distributed. Out of the 172 respondents 15 (8.7%) strongly agreed, 2 (15.1%) agreed, 41 (23.8%) were neutral, 56 (32.6%) disagreed and 34 (19.8%) strongly disagreed. From the findings, in most parastatals resources are not equally distributed since most respondents disagreed. This indicates that some departments may lack sufficient resources to carry out their duties effectively, which may hinder financial performance. On the other hand, in a few of the parastatals resources are well allocated in every department implying that some parastatals distribute their resources adequately to each department to enhance their performance.

Table 4.13: Resources are well allocated

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 34 | 19.8 | 19.8 |
| Disagree | 56 | 32.6 | 52.4 |
| Neutral | 41 | 23.8 | 76.2 |
| Agree | 26 | 15.1 | 91.3 |
| Strongly agree | 15 | 8.7 | 100.0 |
| Total | 172 | 100.0 | |

4.4.2 Stakeholders' Involvement in Budget Implementation and Financial Performance

The researcher asked the respondents whether the management approves the budget in their respective organizations. According to Table 4.14, 2 (1.2%) strongly disagreed, 15 (8.7%) disagreed, 23 (13.4%) were neutral, 5 (30.2%) agreed and 80 (46.5%) strongly agreed. The vast majority of participants were

in agreement that it is the mandate of the management to approve and modify the budget. This indicates that in most parastatals, the management approves the budget for implementation purposes. With this, funds are equally allocated and the budget is prepared on time for implementation. A smaller number, on the other hand, did not agree, and this implies in a few of the parastatals the management does not approve the budget. These funds might be easily misused and allocations may be biased hence affecting the achievement of set objectives.

Table 4.14: The Budget is approved by the Management

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 2 | 1.2 | 1.2 |
| Disagree | 15 | 8.7 | 9.9 |
| Neutral | 23 | 13.4 | 23.3 |
| Agree | 52 | 30.2 | 53.5 |
| Strongly agree | 80 | 46.5 | 100.0 |
| Total | 172 | 100.0 | |

The respondents' opinion was also sought on revenue provision and utilization. Table 4.15 indicates that 33 (19.2%) strongly disagreed, 87 (50.6%) disagreed, 37 (21.5%) remained neutral, 10 (5.8%) agreed and 5 (2.9%) strongly agreed. From the findings, funds needed for implementation are not usually provided in time in most parastatals. This delayed disbursement of funds affects the budget plans, hindering good financial performance. On the other hand, in a few parastatals funds are usually provided in time in some parastatals. It is a clear indication that in these parastatals plans are executed within the set time and funds are adequately utilized.

4.15: Revenue is Provided in Time and Utilized Adequately

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 33 | 19.2 | 19.2 |
| Disagree | 87 | 50.6 | 69.8 |
| Neutral | 37 | 21.5 | 91.3 |
| Agree | 10 | 5.8 | 97.1 |
| Strongly agree | 5 | 2.9 | 100.0 |
| Total | 172 | 100.0 | |

The researcher wanted to determine whether the parastatals under investigation have plans in place to secure the greatest possible revenue collection in order to meet revenue goals. Out of the 172 respondents 12 (7.0%) strongly agreed, 21 (12.2%) agreed, 45 (26.2%) remained neutral, 53 (30.8%) disagreed and 41 (23.8%) strongly disagreed. This indicates that most of these parastatals have no strategies in place for revenue collection. This can lead to an inability to meet their short-term obligations leading to poor performance. Few respondents also believed that strategies are put in place to guarantee revenue collection, as shown by the data. This in turn helps this parastatals achieve their financial obligations, enhancing their financial performance.

Table 4.16: The Firm has put in Place Strategies to Ensure Collection of Revenue

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 41 | 23.8 | 23.8 |
| Disagree | 53 | 20.8 | 54.6 |
| Neutral | 45 | 26.2 | 80.8 |
| Agree | 21 | 12.2 | 93.0 |
| Strongly agree | 12 | 7.0 | 100.0 |
| Total | 172 | 100.0 | |

Respondents were asked whether budgets are implemented on time in the firms the respondents worked in or not. The study outcome in Table 4.17 implies that out of the 172 respondents that submitted their completed questionnaires, 12 (7.0%) strongly disagreed, 23 (13.3%) disagreed, 48 (28.0%) were neutral, 52 (30.2%) agreed and 37 (21.5%) strongly agreed. This implies that in most parastatals, budgets are implemented on a timely basis as per the results of the study and this ensures that the set goals are achieved in time. However, some respondents disagreed that in some parastatals budgets are implemented on time. The results are certain that the targets will not be easy to achieve and this can cause poor performance.

Table 4.17: Budgets are Implemented on Time

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 12 | 7.0 | 7.0 |
| Disagree | 23 | 13.3 | 20.3 |
| Neutral | 48 | 28.0 | 48.3 |
| Agree | 52 | 30.2 | 78.5 |
| Strongly agree | 37 | 21.5 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were asked whether their firms depended heavily on national government funding or other profits for their operations or not. Table 4.18 shows that 43 (25.0%) respondents strongly agreed, 49 (28.5%) remained neutral and 4 (27.3%) agreed that most parastatals depend so much on money from the national government and other income-generating units for their operations. As a result, they will be able to fulfill their immediate and long-term commitments and pay off their debts before the completion of the fiscal year. A few of the parastatals' results show that they do not depend heavily on funds from the national government and profits. This implies that some parastatals have other sources of income, for instance, loans and grants which help them achieve their financial obligations.

Table 4.18: Parastatals Depend on Government Funding and Profits

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 11 | 6.4 | 6.4 |
| Disagree | 22 | 12.8 | 19.2 |
| Neutral | 49 | 28.5 | 47.7 |
| Agree | 47 | 27.3 | 75.0 |
| Strongly agree | 43 | 25.0 | 100.0 |
| Total | 172 | 100.0 | |

The researcher wanted to find out if the budgets are formulated and implemented on a timely basis. Table 4.19 shows that 27 (15.7%) strongly disagreed, 50 (29.1%) disagreed, 49 (28.5%) were neutral, 27 (15.7%) agreed and 19 (11.0%) strongly disagreed. The response from the study population indicates that most parastatals in Kenya do not prepare, approve and implement their budgets on a

timely basis. Due to these things, projects will not be completed according to the plan and this contributes to failure since the budget targets end up not being achieved. On the other hand, in a few parastatals, budgets are formulated, approved and implemented on a timely basis, showing that they can execute their plans as per the set dates hence achieving their financial goals.

Table 4.19: Budgets are Formulated and Implemented on Time

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 27 | 15.7 | 15.7 |
| Disagree | 50 | 29.1 | 44.8 |
| Neutral | 49 | 28.5 | 73.3 |
| Agree | 27 | 15.7 | 89.0 |
| Strongly agree | 19 | 11.0 | 100.0 |
| Total | 172 | 100.0 | |

The researcher wanted to find out the opinion of respondents on disbursement of funds from the national treasury. From the study's outcome in Table 4.20, most parastatals receive funds disbursed by the national treasury on time. From the 172 respondents, 8 (4.7%) strongly disagreed, 35 (20.3%) disagreed, 42 (24.4%) were neutral, 53 (30.8%) agreed and 34 (19.8%) strongly agreed. This implies that parastatals have to allocate the money appropriately and use it maximumly before the financial year ends to avoid returning the money to the treasury. This could indicate good financial performance. However, in a few of the parastatals funds are not received on time. This means that the funds are delayed and they may not be able to carry out their plans effectively hence affecting financial performance.

Table 4.20: Funds from the National Treasury are Disbursed on Time

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 8 | 4.7 | 4.7 |
| Disagree | 35 | 20.3 | 25.0 |
| Neutral | 42 | 24.4 | 49.4 |
| Agree | 53 | 30.8 | 80.2 |
| Strongly agree | 24 | 19.8 | 100.0 |
| Total | 172 | 100.0 | |

Respondents were also asked whether the employees and management are involved in budget implementation. According to Table 4.21, most respondents that is 53 (30.8%) remained neutral, 55 (32.0%) agreed and 27 (15.7%) strongly agreed that in most parastatals both management and employees are involved in budget implementation. This indicates that employees or subordinates are included in the process of making the budget. Thus the needs of each department are taken into consideration fairly, hence good financial performance. Seven and 30 respondents strongly disagreed and disagreed respectively that both management and workers are included in budget implementation in parastatals under study. The results also show that in some parastatals both the employees and management are not interested in the budget implementation. This could hinder their financial performance since allocation or resources may be biased and implementation may be poor.

Table 4.21: Employees and Management are Involved in Budget Implementation

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 7 | 4.1 | 4.1 |
| Disagree | 30 | 17.4 | 21.5 |
| Neutral | 53 | 30.8 | 52.3 |
| Agree | 55 | 32.0 | 84.3 |
| Strongly agree | 27 | 15.7 | 100.0 |
| Total | 172 | 100.0 | |

Respondents opinion was sought on whether the budgets are implemented on time as per government dates in these parastatals. Findings displayed in Table 4.22 show that from a population of 172, 10 (5.8%) strongly disagreed, 23 (13.4%) disagreed, 54 (31.4%) remained neutral, 47 (27.3%) agreed and 38 (22.1%) strongly agreed. The state owns the biggest shares in most of the parastatals therefore; they are run by government rules. This timely implementation of budgets may enhance financial performance as plans are carried out on time. Results also show that few of the parastatals do not adhere

to the dates issued by the government for budget implementation. This may lead to stagnant projects, which may negatively affect their financial performance.

Table 4.22: Budget Implementation is Done on Time

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 10 | 5.8 | 5.8 |
| Disagree | 23 | 13.4 | 19.2 |
| Neutral | 54 | 31.4 | 50.3 |
| Agree | 47 | 27.3 | 77.9 |
| Strongly agree | 38 | 22.1 | 100.0 |
| Total | 172 | 100.0 | |

The researcher wanted to find out if parastatals use the report from budget implementation to consider revenue and expenditure against the set targets. The results in Table 4.23 show that 12 (7.0%) respondents strongly disagreed, 29 (16.8%) disagreed, 45 (26.2%) remained neutral, 40 (23.3%) agreed and 46 (26.7%) strongly agreed. The outcomes show that in most parastatals, a comparison is done to check what was planned versus what has been achieved. This aids in determining any variances that may occur in budget execution and if necessary, action is taken on time, then their financial performance is improved. Some parastatals, on the other hand, do not compare the planned against the actual and by not doing this, they may not be able to take action in case of variances, which could hinder their financial performance.

Table 4.23: Comparison of Actual Versus Set Targets

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 12 | 7.0 | 7.0 |
| Disagree | 29 | 16.8 | 23.8 |
| Neutral | 45 | 26.2 | 50.0 |
| Agree | 40 | 23.3 | 73.3 |
| Strongly agree | 46 | 26.7 | 100.0 |
| Total | 172 | 100.0 | |

4.4.3 Stakeholders' Involvement in Monitoring and Evaluation and Financial Performance

The respondents were asked if the office of the auditor general audits parastatals and awards them opinions as either qualified, unqualified, adverse or disclaimer on their books of accounts. Table 4.24 shows that out of the respondents questioned on whether the auditor general audits and gives financial reports on their books of accounts, 68 (39.5%) strongly agreed, 69 (40.1%) agreed, 26 (15.1%) remained neutral, 8 (4.7%) disagreed and 1 (0.6%) strongly disagreed. The findings indicate that most parastatals are usually audited every financial year and reports the auditor general gives. Auditing helps in fraud detection and prevention and also it helps in ensuring compliance with policies and regulations, this improves financial performance. On the other hand, some parastatals may not go through this process, leading to poor performance since some variances may not be detected in advance.

Table 4.24: The Auditor-General Audits and Gives Financial Reports

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------|--------------|--------------------|
| Strongly disagree | 1 | .6 | .6 |
| Disagree | 8 | 4.7 | 5.3 |
| Neutral | 26 | 15.1 | 20.4 |
| Agree | 69 | 40.1 | 60.5 |
| Strongly agree | 68 | 39.5 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were asked whether the internal auditors regularly prepare and release internal audit reports. Table 4.25 shows from the sample of 172 respondents, 4 (2.4%) strongly disagreed, 11 (6.4%) disagreed, 41 (23.8%) remained neutral, 75 (43.6%) agreed and 41 (23.8%) strongly agreed. The results show that internal audit is performed often in the majority of parastatals in order to pinpoint problem areas and promptly bring them to management's attention

for resolution, which enhances financial performance. However, in a few parastatals internal audits are not done regularly; this indicates that internal auditors do not prepare audit reports and hence may risk having major financial problems at the end of the financial year.

Table 4.25: Internal Audit Reports are Prepared and Released Regularly

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 4 | 2.4 | 2.4 |
| Disagree | 11 | 6.4 | 8.8 |
| Neutral | 41 | 23.8 | 32.6 |
| Agree | 75 | 43.6 | 76.2 |
| Strongly agree | 41 | 23.8 | 100.0 |
| Total | 172 | 100.0 | |

The researcher's aim was find out if regular preparation of internal audit reports influences the financial performance of the parastatals with liquidity gaps in Kenya. In Table 4.26, 5 (2.9%) of the participants strongly disagreed, 12 (7.0%) disagreed, 47 (27.3%) remained neutral, 63 (36.6%) agreed and 45 (26.2%) strongly agreed. Regular preparation of the audit aids in determining areas of concern, the management can correct this and hence it will influence good financial performance

Table 4.26: Preparation of Audit Reports Facilitates Financial Performance

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 5 | 2.9 | 2.9 |
| Disagree | 12 | 7.0 | 9.9 |
| Neutral | 47 | 27.3 | 37.2 |
| Agree | 63 | 36.6 | 73.8 |
| Strongly agree | 45 | 26.2 | 100.0 |
| Total | 172 | 100.0 | |

Respondents were asked whether timely internal audit reports are submitted to the management for corrective measures. Table 4.27 shows that 4 out of 172 respondents strongly agreed, 26 agreed, 43 remained neutral, 52 disagreed and

43 strongly disagreed some parastatals the management takes corrective action. Findings of the study show that in most parastatals, the management does not take any action to variances that they could even be aware of. This can lead to poor performance experienced in most of the parastatals. On the other hand, in a few of the parastatals internal audit reports are taken to the management for correction, this means that any variances are corrected early enough to avoid bigger financial issues in the future and this enhances financial performance.

Table 4.27: Timely Reports are Submitted to the Management

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 43 | 25.0 | 25.0 |
| Disagree | 52 | 30.2 | 55.2 |
| Neutral | 43 | 25.0 | 80.2 |
| Agree | 26 | 15.1 | 95.3 |
| Strongly agree | 8 | 4.7 | 100.0 |
| Total | 172 | 100.0 | |

Respondents were asked to give their opinion on whether the management in these parastatals takes corrective action to the variances noted. Tables 4.28 shows that from a population of 172, 8 (4.7%) strongly agreed, 22 (12.7%) agreed, 38 (22.1%) were neutral, 61 (35.5%) disagreed and 43 (25.0%) strongly disagreed. According to the research output, in most parastatals, the management does not act on the variances noted by internal auditors. This implies that they are prone to future challenges, which could affect financial performance. Results also show that in some parastatals, the management does take corrective measures if notified about any variances by the internal auditors which enhances financial performance.

Table 4.28: Management Takes Corrective Measures

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 43 | 25.0 | 25.0 |
| Disagree | 61 | 35.5 | 60.5 |
| Neutral | 38 | 22.1 | 82.6 |
| Agree | 22 | 12.7 | 95.3 |
| Strongly agree | 8 | 4.7 | 100.0 |
| Total | 172 | 100.0 | |

The respondents were asked whether the parastatals they work in have enough audit personnel. Table 4.29 displays that 10 (5.8%) of the 172 respondents strongly disagreed, 37 (21.5%) disagreed, 49 (28.4%) remained neutral, 61 (35.5%) agreed and 15 (8.7%) strongly agreed. The study findings indicate that most parastatals have sufficient internal audit staff in that department. This indicates that they can carry out their duties effectively that is audit each department in the organization and provide an audit report to the management to take action, if need be, in time. On the other hand, a few parastatals have insufficient number of staff. This implies that the available staff might have a lot of workloads which could hinder them from carrying out their duties effectively and acting independently hence poor performance.

Table 4.29: The Internal Audit Department has Sufficient Staff

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 10 | 5.8 | 5.8 |
| Disagree | 37 | 21.5 | 27.3 |
| Neutral | 49 | 28.4 | 55.7 |
| Agree | 61 | 35.5 | 91.2 |
| Strongly agree | 15 | 8.7 | 100.0 |
| Total | 172 | 100.0 | |

The researcher asked the respondents if sufficient internal audit staff enhances the financial performance of their organizations. As shown in Table 4.30, out of the 172 respondents who gave back their questionnaires 5 (2.9%) strongly

disagreed, 22 (12.8%) disagreed, 40 (23.3%) remained neutral, 57 (33.1%) agreed and 48 (27.9%) strongly agreed. The respondents agreed that sufficient staff in the internal audit department enhances financial performance. From the results, most parastatals certainly have sufficient internal audit staff who can carry out their work efficiently.

Table 4.30: Sufficient Internal Audit Staff Enhances Financial Performance

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 5 | 2.9 | 2.9 |
| Disagree | 22 | 12.8 | 15.7 |
| Neutral | 40 | 23.3 | 39.0 |
| Agree | 57 | 33.1 | 72.1 |
| Strongly agree | 48 | 27.9 | 100.0 |
| Total | 172 | 100.0 | |

This question was intended to assist the researcher in determining whether involving subordinates in the budgeting process improves financial performance. Results show that including the assistants during the budget-making process in parastatals improves financial performance. This is in harmony with the results shown in Table 4.31, where out of 172 respondents 13(7.5%) strongly disagreed, 21 (12.2%) disagreed, 39 (22.7%) were neutral, 51 (29.7%) agreed and 48 (27.9%) strongly agreed that public participation enhances financial performances. This indicates that including subordinates in the budget-making process improves performance since this can motivate workers.

Table 4.31: Participation in Budget Making Enhances Financial Performance

| | Frequency | Percent | Cumulative Percent |
|-------------------|------------------|----------------|---------------------------|
| Strongly disagree | 13 | 7.5 | 7.5 |
| Disagree | 21 | 12.2 | 19.7 |
| Neutral | 39 | 22.7 | 42.4 |
| Agree | 51 | 29.7 | 72.1 |
| Strongly agree | 48 | 27.9 | 100.0 |
| Total | 172 | 100.0 | |

4.5 Inferential Statistics

Binary linear regression, Pearson correlation and diagnostic tests were undertaken to assess the link between the research elements and establish how the independent variables influence the dependent variable.

4.5.1 Diagnostic Tests

As a prerequisite for performing binary linear regression, four essential tests were conducted; normality, multicollinearity, autocorrelation, and heteroscedasticity.

4.5.1.1 Normality Test

Normality was carried out to determine whether the data under study were normally distributed. If continuous data follow normal distribution, and then we present this data in mean value, this mean value is used to compare the significance level (P value). However, if our data does not follow a normal distribution, the resulting mean will not be an accurate reflection of our data. Test of normality helps to determine whether non-parametric or parametric will be done. The Shapiro-Wilk test was used to determine if the study's variables were normally distributed. This test rejects the null hypothesis when the p-values are less than 0.05 and fails to reject it when they are larger than 0.05 (Bee & Chiaw, 2017).

Table 4.32: Normality Test

| | Variables | Shapiro-Wilk | | Sig. |
|-----------------------|-----------|--------------|-----|------|
| | | Statistic | df | |
| Financial performance | ABPR | .819 | 172 | .059 |
| | SIBI | .786 | 172 | .072 |
| | SIME | .861 | 172 | .067 |

Table 4.32, results show that the variables under study were normally distributed since the computed p-values were lower than 0.05. Therefore, the study failed to reject the null hypothesis that the variables were normally distributed.

4.5.1.2 Autocorrelation

Autocorrelation is the relationship between the same variables over various time intervals. Linear regression assumes that the variables are independent of each other and that there is no autocorrelation in the residues of the model. An autocorrelation test was done to ensure that the estimated variance of the regression coefficient is not biased and inconsistent. The autocorrelation of the model's residues was tested using Durbin Watson under the assumption that autocorrelation does not exist. According to Durbin Watson, values range between 0 and 4; if Durbin Watson value is less than 1.5 or greater than 2.5 then there is a potential correlation but if the value is between 1.5 and 2.5 then there is no problem of auto-correlation (Jesmin, 2014).

Table 4.33: Autocorrelation Test

| |
|----------------------|
| Durbin Watson |
| 1.79 |

Table 4.33 indicates a resulting value of 1.79, implying that autocorrelation does not exist amidst the study's constructs. Therefore, demonstrating the autonomy of the model's residuals.

4.5.1.3 Test for Multicollinearity

The linear association between two regression variables is referred to as multicollinearity. The assumption of non-multicollinearity arises when the independent variables in the regression model have a high level of correlation because multicollinearity makes the model difficult to comprehend. The linear

regression model assumes that the studied variables are not multicollinear. Multicollinearity was assessed by estimating VIFs for each elements and exists if the variance inflation factor is larger than 10 and does not exist if it is less than 10 (Saunders & Adrian, 2009).

Table 4.34: Multicollinearity Test

| Model | Collinearity Statistics | |
|-------|-------------------------|-------|
| | Tolerance | VIF |
| ABPR | .733 | 1.364 |
| SIBI | .712 | 1.404 |
| SIME | .908 | 1.101 |

Table 4.34 displays results for multicollinearity. The values of VIFs are all less than ten implying that there is no multicollinearity and the assumption of linear regression model holds.

4.5.1.4 Heteroscedasticity Test

Heteroscedasticity occurs when there is a dependence of scattering within at least one independent variable in a particular sample. The test has a null hypothesis that residuals are not heteroscedastic. The linear regression model assumes that the residuals in the model are homoscedastic. Heteroscedasticity was tested using Breusch Pagan (BP). The residues are heteroscedastic if the calculated chi-square value is less than 0.05 and homoscedastic if the determined chi-square probability is more than 0.05 (Garson, 2012).

Table 4.35: Heteroscedasticity Test Results

| | chi2(1) | Prob > chi2 |
|---------|---------|-------------|
| BP test | 2.31 | 0.1429 |

The results are reported in Table 4.35, and the chi-square value is 2.31, which is greater than 0.05, indicating that homoscedasticity rather than heteroscedasticity is present in the residuals.

4.5.2 Correlation Analysis

The study wanted to assess the influences of participatory budgeting on financial performance of parastatals with liquidity gaps in Kenya. Pearson's product correlation was used to evaluate the strength and direction of the association between the study variables. The independent variables for the study were awareness of budget process regulations, stakeholders' involvement in budget implementation and stakeholders' involvement in monitoring and evaluation.

Correlation coefficients range between 1 and -1 where values closer to one show a strong positive correlation while values closer to a negative one show a strong negative correlation. In this study, a two-tailed test was employed to explore the significance of the correlation coefficients at the 5% significance level. A p-value of 0.025 was used as the cut-off for rejecting the hypothesis of no connection between the two variables. Pearson's correlation was used to evaluate the strength of the link.

Table 4.36: Correlation Matrix

| | ABPR | SIBI | SIME | Y ⁰ |
|----------------|--------------------|--------------------|--------------------|----------------|
| ABPR | 1 | | | |
| SIBI | 0.270 (0.106) | 1 | | |
| SIME | 0.417 (0.113) | 0.299 (0.073) | 1 | |
| Y ⁰ | -0.680* (0.000) | -0.601* (0.010) | -0.244* (0.008) | 1 |

Table 4.36 shows that the correlation coefficients of awareness of budget process regulations, stakeholders' involvement in budget implementation and stakeholders' involvement in monitoring and evaluation, were -0.680, -0.601 and -0.244 respectively. The study variables and the financial performance (return on assets) of Kenyan parastatals with liquidity gaps were correlated negatively.

4.5.3 Model Summary

The model summary illustrates how the dependent variable (financial performance) is connected to the model variables. R square denotes Coefficient of determination while R displays the extent of linear correlation among observed values and model predictions.

Table 4.37: Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|----------|-------------------|----------|-------------------|----------------------------|
| 1 | .784 ^a | .615 | .656 | .612 |

- a. Predictors: (Constant), ABPR, SIBI, SIME
- b. Dependent Variable: Financial Performance

Table 4.37 shows that R was 0.784 which establishes a good relationship amidst the model's predicted figures and the actual values acquired from the study. The value of R squared indicated that participatory budgeting components explain 61.5% of the variations of financial performance of parastatals with liquidity gaps in Kenya. Other factors explained the remaining 38.5% of the variations. The value of adjusted R squared which is 65.6% accounts for predictors that are not significant in the regression model.

4.5.4 ANOVA

The Analysis of Variance (ANOVA) was determined to find out the relationship between the independent and dependent variables.

Table 4.38: ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|----------|------------|----------------|-----|-------------|-------|-------------------|
| 1 | Regression | 1.138 | 3 | 0.3793 | 4.725 | .004 ^b |
| | Residual | 13.486 | 168 | 0.0803 | | |
| | Total | 14.624 | 171 | | | |

- a. Predictors: (Constant), ABPR, SIBI, SIME
- b. Dependent Variable: Financial Performance

Since the p-value for participatory budgeting is 0.004, which is lower than 0.05, it has a significant impact on financial performance as shown in Table 4.38. The

derived value of f was 4.725 which is more than the f critical value of 2.65, and this suggests that there is a substantial relationship between participatory budgeting and financial performance.

4.5.5 Regression Coefficients Analysis

The regression coefficients for the independent variables are shown in Table 4.39, which explains how each variable influences the dependent variable (financial performance). Based on the data, 0.180 is statistically significant at 5% level of significance, with a probability value of 0.000 which is smaller than 0.05. This shows that the financial performance of parastatals is sh.0.180 billion when participatory budgeting is not implemented. The constructs, awareness of budget process regulations, stakeholders' involvement in budget implementation and stakeholders' involvement in monitoring and evaluation had regression coefficients of -0.056, -0.042 and -0.040 respectively.

Table 4.39: Regression Coefficients

| Model | Unstandardized Coefficients | | T | Sig. |
|------------|-----------------------------|------------|--------|------|
| | B | Std. Error | | |
| (Constant) | .180 | .039 | 4.615 | .000 |
| ABPR | -.056 | -.0177 | -3.161 | .009 |
| SIBI | -.042 | -.0141 | -2.972 | .003 |
| SIME | -.040 | -.0124 | -3.221 | .001 |

a. Predictors: (Constant), ABPR, SIBI, SIME

b. Dependent Variable: Financial Performance

The regression model is as shown;

$$\hat{Y} = 0.180 - 0.056ABPR - 0.042SIBI - 0.040SIME \dots\dots\dots 4.1$$

4.6 Discussion of Findings

4.6.1 Awareness of Budget Process Regulations and Financial Performance

The study wanted to determine the effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya. The null hypothesis stated that there exist no significant effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya. The regression coefficient of awareness of budget process regulations was -0.056 with a p-value of 0.009. The significance is indicated by the p-value of 0.009, which is smaller than 0.05. The t statistic also supplements the significance since the t statistic of -3.161 is less than the t critical of -1.972. This indicates that a unit increase of awareness of budget process regulations improves return on assets by reducing the net loss by -0.056 from 0.180 to sh. 0.124 billion.

The findings of the study conform to the results of the research carried out by (Gichure & Abwao, 2018) who conducted a survey of the influence of public participation on budget implementation by Kenya city counties. Conclusions showed a positive and statistically significant relationship between public participation and budget implementation. The outcomes concur with the findings of (Kandie, 2020) investigation on the effect of public participation on the budgeting process in Kenya; A case study of Mombasa County government. The results of the study revealed a statistically significant connection between budget execution and public participation.

The budget theory tenets are consistent with the researcher's conclusions. Budget theory explains the political and social motivation behind government budgeting. Budgets help both at the managerial and operational levels by laying out what needs to be achieved and looking at the future. Through the creation of websites and focus groups, parastatals have been able to create awareness of budget regulations which helps in the budget process. Through this, organizations can achieve their budget targets, enhancing financial performance.

4.6.2 Stakeholders' Involvement in Budget Implementation and Financial Performance

The second objective was to examine the effect of stakeholders' involvement in budget implementation on the financial performance of parastatals with liquidity gaps in Kenya. Table 4.39 shows that the regression coefficient of stakeholders' involvement in budget implementation was -0.042 with a p-value of 0.003. The fact that a p-value of 0.003 is less than 0.05 and that the t statistic of -2.972 is less than the t critical of -1.972 adds to the significance of the result. This is an indication that a unit increase of stakeholders' involvement in budget implementation would increase return on assets by reducing the net loss by -0.042 from 0.180 to sh. 0.138 billion.

The findings of the study conform to the results of (Kipyego & Wanjare, 2017) who examined public participation and budgeting process within the county government of Nandi, Kenya. They found that public participation enhances the quality of the budgeting process, and involvement of stakeholders enhances accountability and transparency. The results also match the findings of (Munyao, 2019) who established the influence of public participation on public

accountability in Kenya. He came to the conclusion that stakeholder involvement improves accountability and transparency and raises the quality of budgeting.

The study's outcomes back up the resource dependence theory, which asserts that administrations can obtain resources within their environment. During oversight by stakeholders, they can deliver or secure resources needed by the firm using their connections. This will improve organizational functioning, survival and good performance of the parastatals.

4.6.3 Stakeholders' Involvement in Monitoring and Evaluation and Financial Performance

The third objective of the study was to evaluate the effect of stakeholders' involvement in monitoring and evaluation on financial performance of parastatals with liquidity gaps in Kenya. Table 4.39 shows that the β of stakeholders' involvement in monitoring and evaluation was -0.040 with a p-value of 0.001. The p-value of 0.001 indicates significance since it was below 0.05. The t statistic of -3.221 is less than the t critical of -1.972, it also supports the significance. This indicates that a unit rise of stakeholders' involvement in monitoring and evaluation would improve return on assets by reducing the net loss by -0.040 from 0.180 to sh. 0.14 billion.

The study's conclusions are consistent with those of a study on public engagement for sustainable development in a decentralized system of governance in Kenya by Ronoh (2020). According to the study, there was a substantial correlation between demographic factors and the public involvement process, as determined by the chi-square test for independence from the value at 0.000 therefore less than 0.5 which is significant. Public participation enhances sustainable development. (Rwigi, 2018) also carried out a study on the effect of

participatory budgeting on healthcare services in Makueni sub-county and found out that the creation of budgetary policies is guaranteed by formal participatory frameworks. Additionally, it has promoted public engagement in the budget-making process.

The results of the research resonate with the constructs of agency theory. This idea centers on a relationship between two parties, the agent and principal. According to agency theory agents do not always work in the interest of the principals and this causes the agency problem. Parastatals may incur monitoring costs to solve the agency problem and through these agents can act in the shareholders' best interest, hence achieving their objectives. This leads to good financial performance in the parastatals.

4.7 Summary of Hypotheses

Table 4.40 summarizes the findings of the hypotheses of the independent and dependent variables.

Table 4.40: Summary of Hypotheses

| | Hypothesis | P-value | Results |
|------------|--|----------------|----------------|
| H01 | Awareness of budget process regulations has no significant effect on financial performance of parastatals with liquidity gaps in Kenya. | 0.009<0.05 | Rejected |
| H02 | Stakeholders' involvement in budget implementation has no significant effect on financial performance of parastatals with liquidity gaps in Kenya. | 0.003<0.05 | Rejected |
| H03 | Stakeholders' involvement in monitoring and evaluation has no significant effect on financial performance of parastatals with liquidity gaps in Kenya. | 0.001<0.05 | Rejected |

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section gives the summary of the research findings, conclusions that were made, recommendations, and finally, the suggested areas for further research.

5.2 Summary

The general objective of this study was to establish the effect of participatory budgeting on financial performance of parastatals with liquidity gaps in Kenya. The specific objectives of the research were; to determine the effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya, to examine the effect of stakeholders' involvement in budget implementation on financial performance of parastatals with liquidity gaps in Kenya and to evaluate the effect of stakeholders' involvement in monitoring and evaluation on financial performance of parastatals with liquidity gaps in Kenya.

Primary and secondary data were utilized to determine the association between the research variables. Secondary data on financial performance was derived from audited financial documents, while primary data was gathered using questionnaires and scored on Likert scale of 5-point. The questionnaires were evaluated using Cronbach's alpha and factor analysis. Data were analyzed through descriptive statistics and inferential statistics. Model significance was determined with the help of an analysis of variance (ANOVA) and Durbin Watson test was employed to examine the level of correlation between the variables.

The first objective was to determine the effect of awareness of budget process regulations on financial performance of parastatals with liquidity gaps in Kenya. To investigate the null hypothesis that awareness of budget process regulations has no influence on financial performance of parastatals with liquidity gaps in Kenya, a multiple regression model was employed. The descriptive statistics show that in most parastatals employees are not aware of the budget process regulations. Correlation analysis shows a strong correlation of -0.680 and a p-value of 0.000 with financial performance (return on assets). According to the results, the ABPR had a -0.056 regression coefficient, a probability value of 0.009, and a t statistic of -3.161. Financial performance and ABPR showed a significant association at 5% level of significance since the p-value was smaller than 0.05 and the t-statistic was lower than the t critical of -1.972. The research rejected the null hypothesis and established that when awareness of budget process regulations is improved the net loss reduces hence improving the return on assets.

The study also examined the effect of stakeholders' involvement in budget implementation on financial performance of parastatals with liquidity gaps in Kenya. From the outcomes obtained, the regression coefficient for SIBI was -0.042 with a p-value of 0.003 and a t statistic of -2.972. The p-value was smaller than 0.05 and the t statistic of -2.972 was lower than the t critical of -1.972, this suggested a significant relationship between SIBI and financial performance at a 5% significance level. The null hypothesis was rejected, indicating that stakeholders' involvement in budget implementation would increase financial performance by reducing the net loss of the selected parastatals.

The study also evaluated the effect of stakeholders' involvement in monitoring and evaluation on financial performance of parastatals with liquidity gaps in Kenya as the third objective. It aimed at testing the null hypothesis; there is no significant relationship between stakeholders' involvement in monitoring and evaluation on financial performance. Monitoring and evaluation had a correlation coefficient of -0.040, a p-value of 0.001, and a t statistic of -3.221, according to the regression model. Given that the p-value of 0.001 was lower than 0.05 and the t statistic of -3.221 was lower than the t critical of -1.972, this suggests that significant relationship 5% significance level, between stakeholders' involvement in monitoring and evaluation and financial performance. The null hypothesis was rejected, indicating that a unit increase of stakeholders' involvement in monitoring and evaluation would improve return on assets by reducing the loss.

5.3 Conclusion

This section comprises of conclusions drawn based on theoretical review, empirical evidence and data analysis.

5.3.1 Awareness of Budget Process Regulations

Awareness of budget process regulations had a β of -0.056, a p-value of 0.009 and t statistic of -3.161. Based on the study results, there exists a significant correlation amidst awareness of budget process regulations and financial performance of parastatals with liquidity gaps in Kenya as the probability value was smaller than 0.05 and the t statistic lower than t critical of -1.972. It was concluded that a unit rise in the awareness of budget process regulations would cause an improvement in return on assets by reducing the net loss of the parastatals.

5.3.2 Stakeholders' Involvement in Budget Implementation

A significant relationship exists between stakeholders' involvement in budget implementation and financial performance since it has a p-value of 0.003 which is less than 0.05 at 5% significance level. SIBI also had a t statistic of -2.972 less than the t critical of -1.972, indicating significance. This suggests that if stakeholders' involvement in budget implementation is improved financial performance is significantly enhanced. The inferential statistics also established that stakeholders' involvement in budget implementation had a significant relationship with financial performance.

5.3.3 Stakeholders' Involvement in Monitoring and Evaluation

From the inferential statistics, results show that stakeholders' involvement in monitoring and evaluation had a -0.040 regression coefficient, a p-value of 0.001 which is lower than 0.05 and a t statistic of -3.221 which is less than t critical of -1.972; this indicates that stakeholders' involvement in monitoring and evaluation have a significant correlation with financial performance. It was concluded that an increase in stakeholders' involvement in monitoring and evaluation would improve return on assets by reducing the net loss, thus improving the financial performance of the parastatals.

5.4 Recommendations

These recommendations were drawn based on the findings of the study.

5.4.1 Awareness of Budget Process Regulations

From the descriptive statistics, most respondents disagreed that stakeholder's priorities are taken into consideration during budgeting. Therefore, parastatals should ensure stakeholders' priority are taken into consideration to ensure their

interests are prioritized, hence achieving financial goals. More awareness of budget process regulations should be created among the subordinates by the management since most respondents disagreed and strongly disagreed that employees are aware of the budgeting guidelines. This can be done by creating websites, forming focus groups and training among others. Through this, the budget-making process will be made easier, and they will know where to allocate more funds and what items should be given priority. According to the inferential statistics, the study also recommends that awareness of budget process regulations be improved since its improvement affects financial performance.

5.4.2 Stakeholders' Involvement in Budget Implementation

Oversight of any process is very important. According to the results, most of the parastatals do not have strategies in place to ensure maximum collection of revenue; they should therefore implement those strategies since income is needed for operations. It is therefore very vital that stakeholder's oversee the budget implementation process to ensure efficiency in the parastatals. Most respondents disagreed when asked whether budgets are formulated, approved and implemented on time. These parastatals should therefore work in line with the dates set by the government since they are government owned to implement the budget on time.

5.4.3 Stakeholders' Involvement in Monitoring and Evaluation

To make sure that the budgets are properly met throughout time, they must be monitored and analyzed after being put into place. A budget helps a manager keep track of activities, spot problems, and take corrective action when necessary. The descriptive statistics show that in most of the parastatals, timely reports are not submitted to the management for corrective action to be taken.

They ought to do this to avoid bigger issues in the future. The study also recommends that managers in the parastatals ensure that they monitor and evaluate the budget implementation process in order to make adjustments in case of any variances. Since most of the respondents disagreed that the management should take action. From the inferential statistics, monitoring and evaluation affect financial performance significantly. The study recommends that monitoring and evaluation be improved to increase financial performance by reducing the net loss.

5.5 Further Study Areas

The study was limited to profit-making parastatals with liquidity gaps in Kenya, further study may be conducted on non-profit making parastatals with liquidity gaps in Kenya to show how participatory budgeting affects financial performance. Further research could be conducted in other organizations to see how participatory budgeting influences their financial performance since the results of this study cannot be extended to other organizations.

Participatory budgeting may be studied further to learn how it influences the efficiency of non-profit parastatals.

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APPENDICES

Appendix I: Letter of Introduction

Dear Sir/Madam

RE: Request for Research Data

I am a Master's student pursuing a Master's Degree in Business Administration Accounting option at Kaimosi Friends University. My research topic is Participatory Budgeting and Financial Performance of Parastatals with Liquidity Gaps in Kenya. You have been chosen to participate in the respondents who will provide pertinent data for the study, therefore we kindly ask that you complete the questionnaires that will be provided to you. All information submitted is strictly confidential and used for research only. It would be really appreciated if you could help.

Yours faithfully

Stellamaris Muange.

DGS/MBA/G/0007/2020

Appendix II: Questionnaire

Dear respondent, you are respectfully asked to take part in the research stated previously by answering the following questions. Your provided information will only be used for academic purposes, particularly for this study, and it will be treated with confidentiality.

Section A: Demographic Data

(Kindly tick where appropriate)

i. How long have you worked in the firm?

Below 1 year []

1-2years []

2-3years []

3-5years []

6 years and above []

ii. What is your highest level of education?

Certificate []

Diploma []

Bachelors []

Masters []

PhD []

Section B: Awareness of Budget Process Regulations and Financial Performance

Key: 5=Strongly Agree (SA), 4= Agree (A), 3= Neutral (N), 2= Disagree (D), 1= Strongly Disagree (SD). *(Kindly tick where appropriate)*

Using Likert scale ranging from 5-1, please rate the extent to which you agree with the following statements.

| Statement | SA | A | N | D | SD |
|--|----|---|---|---|----|
| | 5 | 4 | 3 | 2 | 1 |
| Parastatals take into consideration the priority of stakeholders in their plans. | | | | | |
| Employees are conversant with budgeting guidelines. | | | | | |
| Tasks and responsibilities are adequately defined. | | | | | |
| The procedures and policies on budgeting are clearly outlined and well known to employees. | | | | | |
| Participatory budgeting leads to good performance in the organization. | | | | | |
| The management conducts forums to create awareness on policies about spending. | | | | | |
| Focus groups are formed to create awareness to the subordinates. | | | | | |
| The firm has created websites, which help in creating awareness to the subordinates. | | | | | |
| The subordinates have good knowledge on budgeting due to their participation. | | | | | |
| Resources are well allocated according to what each department requires. | | | | | |

Section C: Stakeholders' Involvement in Budget Implementation and Financial Performance

| Statement | SA | A | N | D | SD |
|--|----|---|---|---|----|
| | 5 | 4 | 3 | 2 | 1 |
| The budget is approved or amended by the management in the organization. | | | | | |
| Revenue needed for implementation is provided to those responsible in time and utilized adequately. | | | | | |
| The firm has put in place strategies that ensure maximum collection of revenue in order to meet the set revenue targets. | | | | | |
| Budget implementation is done on a timely basis to ensure budget targets are achieved. | | | | | |
| Parastatals depend heavily on national government funding and generated profits for its operations. | | | | | |
| Budgets are formulated, approved and implemented on a timely basis. | | | | | |
| Funds received from the national treasury are disbursed on a timely basis. | | | | | |
| Both employees and management are involved in budget implementation. | | | | | |
| The budget implementation is done as per the dates set by the government. | | | | | |
| The report from budget implementation considers revenue and expenditure performance against the set targets. | | | | | |

Section D: Stakeholders' Involvement in Monitoring and Evaluation and Financial Performance

| Statement | SA | A | N | D | SD |
|---|----|---|---|---|----|
| | 5 | 4 | 3 | 2 | 1 |
| The office of the Auditor-General audits and gives financial reports. | | | | | |
| Internal audit reports are prepared and released regularly by the internal auditors. | | | | | |
| Regular preparation and release of internal audit reports facilitates financial performance | | | | | |
| Timely reports are submitted to the management to take corrective measures if any variances are discovered. | | | | | |
| Management acts and takes corrective measures on the reports submitted to them by internal auditors. | | | | | |
| The internal audit department is equipped with sufficient staff. | | | | | |
| Sufficient staff of internal audit department enhances financial performance. | | | | | |
| Public participation in the budget process boosts financial performance. | | | | | |

Appendix III: List of Parastatals

| No. | Name |
|-----|--------------------------------------|
| 1. | Kenya Airways |
| 2. | The Kenya Broadcasting Corporation |
| 3. | East African Portland Cement Company |
| 4. | Postal Corporation of Kenya |
| 5. | Kenya Post Office Savings Bank |
| 6. | Kenyatta National Hospital |
| 7. | Athi Water Works Development Agency |
| 8. | Kenya Wildlife Service |

Source: National Treasury report (2022)

Appendix IV: Research Permit

| | |
|---|--|
|  REPUBLIC OF KENYA |  NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION |
| Ref No: 702077 | Date of Issue: 23/September/2022 |
| RESEARCH LICENSE | |
|  | |
| This is to Certify that Ms. Stellamaris Wayua Muange of Kaimosi Friends University College, has been licensed to conduct research in Nairobi on the topic: Participatory Budgeting and Financial Performance of Parastatals with Liquidity gaps in Kenya for the period ending : 23/September/2023. | |
| License No: NACOSTI/P/22/20496 | |
| 702077 |  |
| Applicant Identification Number | Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION |
| | Verification QR Code |
| |  |
| NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application. | |

Appendix V: DGS Approval Letter



Kaimosi Friends University College (KAFUCO)
(A Constituent College of Masinde Muliro University of Science and Technology)

Tel: 0773040235 / 0771373639
E-mail: dgs@kafuco.ac.ke
Website: www.kafuco.ac.ke

P.O Box 385
Kaimosi – 50309,
Kenya

Office of the Director, Directorate of Graduate Studies

REG NO: DGS/MBA/G/0007/2020

Date: 17th June, 2022

FROM: DIRECTOR OF GRADUATE STUDIES

TO: STELLAMARIS MUANGE

SUBJECT: APPROVAL OF PROPOSAL

This is to inform you that your MBA Proposal titled “PARTICIPATORY BUDGETING and FINANCIAL PERFORMANCE of PARASTATALS with LIQUIDITY GAPS in KENYA”, was approved at the 98th UCAB meeting of 14th June, 2022.

You will work closely with the following approved supervisors in executing your research;

1. Dr. Denis Ouma - Department of Business Administration (KAFU)
2. Dr. Sylvester Wanyama - Department of Accounting & Finance(KAFU)

You will be expected to submit progress reports regularly to the Director, Graduate Studies. Do not hesitate to consult the undersigned on any matter pertaining to your studies. The Directorate of Graduate Studies wishes you success in your studies.

Dr. B. R. Shiundu, PhD
Director of Graduate Studies

Copy to: Principal
Deputy Principal (A&SA)
Dean, SOBE
Supervisors
Registrar Academics