

# Financial Controls on Financial Performance of National Government Constituency Development Fund in Mt. Elgon Constituency, Bungoma County

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## ABSTRACT

This study sought to examine the Financial Controls on Financial Performance of National Government-Constituency Development Fund in Mt. Elgon Constituency, Bungoma County. It was carried out in respect of the following research objectives: to examine the effect of Budgeting on Financial Performance of National Government-Constituency Development Fund, to assess the effect of Financial Reporting Systems on Financial Performance of National Government-Constituency Development Fund in Mt. Elgon Constituency, Bungoma County, Kenya. The study was anchored on the Public Budgeting model and Resource Dependency theory. A descriptive research design was adopted for a target population of 80 respondents which comprised of National Government-Constituency Development Fund Committee Members (15), Project Management Committee Members (14), Community Leaders (36) and Youth Leaders (15). The study employed the purposive sampling technique in selecting the number of Community leaders and a census method was adopted in order to reach all members of the target population. Questionnaires were used for data collection. The study utilized both descriptive and inferential statistics for data analysis. The study findings were presented in tables and figures that captured both descriptive and inferential statistical results; Correlation and regression analyses and Analysis of Variances. A multiple regression model was then extracted from the data analysis results which were carried out

using the SPSS v24 Software. The study findings had a statistically significant effect among variables with an F-ratio of 6.980. The correlation results had Financial Reporting System at ( $r=.414^*$ ,  $P<.001$ ) and Budgeting at ( $r=.341$ ,  $P<.001$ ). The study findings will be expected to add to the already existing reservoir of information in the finance field as well as become a basis for research reference to future scholars.

**Keywords:** [Financial Controls, Financial Reporting Systems, Budgeting, Financial Performance]

## INTRODUCTION

### Background of the Study

About 23 countries in the world have the Constituency Development Fund (CDF) model of initiating development projects to the grassroots level, it should be noted that although CDF operates under different contexts in different countries, one core feature in all countries operating the CDF model is that the constituency legislators influence how the funds are spent in their respective areas (Lagat, 2016). The other feature is that the model faces a myriad of financial control challenges. According to Iminy and Miroga (2018), Constituency Development Fund (CDF) is a fund that was established through an Act of Parliament (CDF Act, 2003), reviewed in 2007 by the CDF (Amendment Act, 2007) repealed

(CDF Act, 2013) and succeeded by NG-CDF (NG-CDF Amendment Act, 2016).

According to Gathuru (2017), financial control is an integral part of financial management that is concerned with procurement, financing and management of organizational assets while keeping an eye on the organizational overall goals. Besley and Bringham (2005), as quoted by Gathuru (2017), opined that financial control is the phase through which the implementation of financial plans is carried out and the process of adjusting and controlling deals with feedback required for purposes of ensuring adherence to plans and their modification due to unforeseen future changes.

The finance manager has a key role of determining whether various organizational activities meet the set objectives by comparing the actual performance against (Brinkerhoff, 2001; Gathuru, 2017). CDF are community/public funds with the aim of enabling the community access resources to improve their productivity that propels them towards poverty reduction, hunger together with improving their general health, improvement in education standards among other benefits.

### **Global Perspective of CDF**

Globally, the decentralization of funds has been ongoing as a way of evenly spreading development throughout the respective country. In Australia, with the aim of supporting communities in their time of need, for community projects grants application and provision of scholarships to bright but un-affording populace, the Common Ground Community Support Fund (CGCSF) was established in 1991 through the Australian Gambling Regulation Act 2003 to facilitate the distribution of government gaming revenue among the communities earmarked. The fund receives at least 8% of the Australian Hotel Gaming Revenue (AHGR) from electronic machines (Gathuru, 2017).

The Scottish government, in 2014, set aside a number of funds to support the communities. The most notable are The

People and Community Fund (PCF) & Communities and Families Fund (CaF). The PCF was specifically set up to enable the state to ensure that the communities are supported through the delivery of outcomes for meeting and responding to community aspirations while the CaF was a grants program that is funded by both by the Scottish government and the Big Lottery Fund in Scotland with a target of supporting local projects in order to support families give a firm and great foundation to their children (Scottish Government, 2014; Iminyi and Miroga, 2018). The most outstanding feature about the Scottish government initiated projects is that the implementation and evaluation of the community projects is left to local communities where they manage financial aspects (controls) of the projects and prioritizes the projects according to their local needs (Carson, 2015).

### **Regional Perspective of CDF**

In Zambia for instance, CDF was approved by parliament in 1995. According to the guidelines on the management and utilization, its purpose was to finance micro community projects for poverty reduction. Recent findings in Zambia suggested that CDF did not always have the development impact intended. In fact, there have been cases where funds had been poorly used or left open to abuse. Research conducted in 2012 by the Evangelical Fellowship of Zambia and Micah Challenge Zambia highlighted numerous challenges including lack of transparency throughout CDF processes, lack of community participation, undue political influence exerted by elected representatives and inadequate monitoring and evaluation by the district councils due to insufficient funds allocated to monitoring which was 2% of the budget. These issues led to poor, incomplete or inappropriate projects, political clientele is man misuse of funds. In 88 per cent of projects sampled, community members raised concerns about some inappropriate projects, misuse of funds or insufficient adherence to CDF

guidelines; in fact 9% of completed projects were left lying idle. This was an indication that there was no effective monitoring and evaluation to ensure the projects were addressing the needs of the citizens. (EVZ, 2012).

The South African government in collaboration with international community and donors has set up several community support funds which include; the Anglo American Support Fund (AASF) which supports development initiatives for poverty alleviation and community development in South Africa. The projects initiated are diverse in the sense that they recognize the diverse and rapid socio-economic and educational needs of the local South African communities. They cover education, healthcare and sustainable community development sectors (Tshikululu, 2013). These funds are very important but only if they are well managed. That is why this study targeted towards the examination of the effect of financial controls on the financial performance of NG-CDF in Mt. Elgon Constituency, Bungoma County in line with the study objectives that touched on budgeting, financial reporting systems, auditing and book keeping. Financial controls are important in ensuring the success of the initiated projects by improving the transparency, efficiency, accountability and accuracy in the achievement of the objectives (Padilla, Staphoote and Morganti, 2012).

### **Local Perspective of CDF**

The existence of economic injustices and low development levels in the country by 2003, the Kenyan government adopted the CDF program, among other programs, with an aim of addressing these challenges and others that were identified and included in the vision 2030 (Lagat, 2016). This was enabled through an Act of parliament called the Constituency Development Fund (CDF) Act 2003 and amended in 2007. In 2013, in adhering to a court order, the amendment to the CDF Act was initiated and renamed "The National Government Constituency

Development Fund (NG-CDF)" through the NG-CDF Act of 2015. The original idea of CDF was initiated by the NARC government as its innovation to spur economic development through the distribution of national resources up to the rural areas for improving their livelihoods through employment creation, and poverty alleviation/reduction.

Both the CDF board and the National Anti-Corruption Steering Committee (NACSC) conducted studies in 2008 that concluded that from inception in 2003, the CDF had facilitated the implementation of several local development projects that contributed greatly towards poverty alleviation and socio-economic development of the Kenyan people at the grassroots level. Gikonyo (2017) opined that the NG-CDF resources are an appropriation from the taxes collected from the Value Added Taxes (VAT), PAYE, and import and export duty, license fees among other sources of revenue to the state. According to the 2007 amendment, at least 2.5% of the government's annual ordinary revenue is to be channeled to the constituencies for development purposes in every financial year.

According to the NG-CDF Act (2015), the projects financed by the fund should be those that provide basic needs to the local residents in every constituency which are a function/responsibility of the national government. They include; supporting the post primary education, security and electricity, among others as per the devolution of services that commenced in 2013 in Kenya. The fund supports the education of the less privileged children in society to enable them access education for their better future. The structure of the NG-CDF enables the locals to make their own expenditure decisions reflecting their local needs to better their welfare (NG-CDF, 2015).

In section 19(1) of the CDF Act 2007, the allocation criteria for the share to the constituencies stipulated that 75% of the total amount appropriated be equally shared amongst the constituencies while the

remaining 25% be allocated based on the national poverty index as multiplied by the constituency poverty index (Gikonyo, 2017). Gikonyo went ahead mentioning that 52% of each constituency share has to be allocated to projects, 35% to education bursaries, administration 6%, 2% for environment, sports to take 2%, 3% for M&E and capacity building while emergencies fund is allocated equally among the constituencies by the National Management Board (NMB) which is to be kept in as an constituency emergency reserve fund and utilized whenever need arise (CDF Act 2007; Gathuru, 2017). After further amendment to the CDF Act, the NG-CDF project cycle involved the planning, implementation, M&E, and handing over of projects to respective organizations or locals for utilization. Successful implementation of NG-CDF funds require equal representation irrespective of political, gender, ethnic, tribal, racial, religious among other affiliations. (Gathuru, 2017).

### **Mt. Elgon Constituency**

Mt. Elgon Constituency is one of the electoral units at national level in Kenya. According to the Constitution of Kenya 2010, it is one of the 290 constituencies in Kenya and found in Bungoma County on the Western side of Kenya, bordering Uganda. The constituency is one of the nine (9) constituencies in Bungoma County. The constituency NG-CDF helps in the provision of services to the community that remained a mirage for over 35 years since independence (Muriithi, 2018). The fund is geared towards the provision of basic services which include school construction and other educational provisions, bursaries to deserving students, sports, environmental conservation among others.

With proper implementation, the NG-CDF can play a significant role towards the achievement of the Vision 2030 objectives which are majorly geared towards poverty reduction and economic growth. The importance of the fund to the local development requires strengthening of the

fund institutional, design and implementation aspects for it to be more instrumental in enhancing funds utilization efficiency and reinforcement of the NG-CDF by promoting the participation of the public/citizens in its activities and processes (Ngare, 2013).

### **Statement of the Problem**

Proper financial controls in any organization improve the performance and service delivery of those particular organizations. NG-CDF projects, in particular require proper financial controls for purposes of ensuring that their performance greatly reported to be improving and rightly so. In Kenya, the delay in disbursement of the NG-CDF funds, lack of proper public participation in the choice of projects at the constituencies have contributed greatly towards the improper financial performance of the NG-CDF projects in Mt. Elgon constituency. However, inadequate or total lack of budgeting, Auditing, financial reporting systems and proper book keeping have been the major drawbacks on the financial performance in relation to service delivery of the NG-CDF projects in Mt. Elgon Constituency. These inadequacies have been contributed by the influence of the Member of National Assembly on the use of funds on their own selected or pet projects for political reasons or corruption oriented reasons (Iminyi and Miroga, 2018). Previous studies on NG-CDF projects Service Delivery include a study conducted by Kimenyi (2005) who conducted a study on the efficiency and efficacy of Kenya's Constituency Development fund; Mohamed (2012) focused on service delivery through stakeholder engagement and citizen centric approach in Gatanga constituency development fund where he concluded that the challenge faced by most CDF teams in Kenya was area member of parliament (MP) interference. Owalla (2006) conducted a study on management of devolved funds in Kisumu Municipality. None of these studies however, covered any of the projects under NG-CDF in Mt. Elgon

Constituency, Bungoma County, Kenya. This study therefore strove to fill this research gap by answering the following research questions: What is the effect of Budgeting on financial performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya? What is the effect of Financial Reporting Systems on financial performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya? What is the effect of Auditing on financial performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya? What is the effect of Book Keeping on financial performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya?

### **Objectives of the Study**

The following were the objectives of the study

#### **General Objective**

The general objective of the study was to examine the Effect of Financial Controls on Financial Performance of NG-CDF in Mt. Elgon Constituency, Bungoma County.

#### **Specific Objectives**

The study specific objectives were;

1. To examine the effect of Budgeting on Financial Performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya.
2. To assess the effect of Financial Reporting Systems on Financial Performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya.

#### **Research Questions**

The study sought out to answer the following Research Questions;

1. What is the effect of Budgeting on Financial Performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya?
2. What is the effect of Financial Reporting Systems on Financial Performance of NG-CDF in Mt. Elgon Constituency, Bungoma County, Kenya?

## **LITERATURE REVIEW**

### **Theoretical Review**

The study was anchored on the following research theories;

#### **Public Budgeting Model**

Robert W. Smith and Thomas D. Lynch were the first scholars to advance the Public Budgeting model in 2004. According to Koitaba (2013), the two scholars described public budgeting in four perspectives; the political perspective which involved the politician who sees the budget process as a political event that is conducted in the politically for political advantage; the economic perspective where the economist perceives budgeting as a matter of appropriating resources on the opportunity cost basis where the resources allocated to one sector are viewed as having taken away from another sector. The economist therefore, from this perspective, is to provide the biggest possible information for decision makers (Gathuru, 2017). The third perspective was the accountants' perspective which focuses on the accountability value. This perspective holds that the budgeting analyses the budgeted amount to the actual expenditures hence describing the wisdom of the original policy. The fourth perspective was the public managers' perspective which holds that a budget is a policy tool describing the public policy implementation (Gathuru, 2017). The accountants' perspective is more considered for this study because it is the control perspective that resonates well with the first objective of this study.

According to Koitaba (2013), a number of leading theorists have provided many insights to the public budgeting concept by explaining how resources, however scarce, ought to be distributed to unlimited demands; they include Cleveland, Willoughby, Lewis, Musgrave and Key. The national government roles in the economy include resource allocation, goods and services distribution and stabilization of the economy; however, budgetary decision making is largely political rather than economic, according to the Gathuru (2017).

According to Smith and Lynch (2004) as quoted by Gathuru (2017), the first scholars to advance the public budgeting theory, there are three functions of budgeting namely; strategic planning which ideally deals with the goals and objectives decision of an organization; Management Control which is a process by management that assures accomplishment of both goals and objectives efficiently and effectively as laid out in the strategic planning; and lastly, Operational control that focus on proper execution of specific tasks which provide the very efficient and effective ways of meeting the goals and objectives that are ordered by management control. The scholars further opined that budgeting encompasses three values that are generally discussed in public budgeting literature. They include; accountability, efficiency and efficacy. Accountability as a function focuses on the inputs going into the program in action and is best characterized by the line-item budgeting approach which is best suited for monitoring and control functions of a budget. Efficiency focuses on the process of the system/program and its resources (inputs conversion) into policy (outputs) whose focus on the process makes this value appropriate for performance budgets and most in-line with management and steering functions. Efficacy on the other hand focuses on outputs and outcomes which measures the impact of policy. The value follows both program budget and program planning.

In line with the budgeting objective, budgeting follows the traditional model that emphasizes on the control function and focuses on the expenditure consequences. According to Odindo (2009), a number of constituencies in Kenya demonstrate a high proficiency in budget development. With budgeting being characterized by functions, approaches, formation and type, the study discussion was narrowed down to financial control and hence focus on the accountant and the fund managers' perspective which addresses the budgeting process.

### **Resource Dependency Theory**

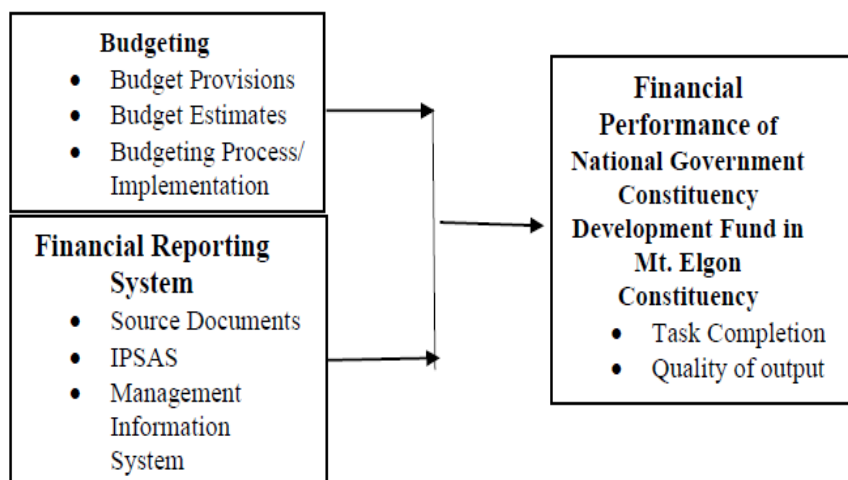
The NG-CDF projects depend on the decisions made by the NG-CDF board and the NG-CDF committee at the constituency level. This understanding makes the resource dependency theory a key theory for this study since it concentrates on the role of the board of directors for the provision of access to needed NG-CDF resources for the respective constituencies. By paraphrasing Cheruiyot and Oketch (2017), resource dependency theory focuses on the role played by the NG-CDF constituency committee in the provision of essential services to the required areas within the constituency through their external environmental linkages. NG-CDF committees comprise members elected from the residents of the constituency for purposes of ensuring access to the deserving projects/areas within the jurisdiction for proper resource allocation for tangible performance/utilization success.

Cheruiyot and Oketch (2017) opined that service provision enhances proper functioning of the entity, its performance and survival. Directors/committees bring information, skills, access to key constituents such as suppliers, buyers, policy makers, social groups, and legitimacy to the entire process (Hillman, Canella and Paetzold, 2000; Cheruiyot and Oketch, 2017). For proper functioning and Service Delivery of the NG-CDF, the framers of the law envisaged a committee elected at the grassroots that is composed of influential leaders who are politically exposed, members of clergy, PLWD, social and community organization leaders, all who are representatives of both gender.

### **Conceptual Framework**

According to Cucinelli (2013), conceptual framework is a term used to refer to a graphical or diagrammatic representation of the relationship between the study variables. In this study, the conceptual framework depicted the relationship between the independent variables (Budgeting, Financial Reporting Systems) and the dependent

variable (Financial Performance of NG-CDF in Mt. Elgon Constituency).



### Review of Variables

#### Budgeting on Financial Performance of NG-CDF in Mt. Elgon Constituency

A budget is summary of expected inflows and outflows according to the detailed calculations of an entity (Gathuru, 2017). These calculations are usually based on the vote heads/cost centers in the entity and from per unit expectations, the total/volume expectations are derived. For example, in relation to salaries, the number of staffs, their grades, their benefits, among other expenditure headings from which the figures are derived in order to determine the totals included in the budgets. According to Gathuru (2017), who further opined that a budget should not be a chain of remote guesses but a careful reflection of calculated estimates, a budget is a control tool used to guide the management in the implementation of the its activities. Budget making is a process that becomes easier if the entity’s historical data is available to be relied on.

According to Waren (2011), budgetary control practices are not a guarantee to achieving organizational goals and eventual profitability, however, Constituency leadership should consider positive involvement of committee members and citizens (public participation) and acknowledgement of their valuable contributions. Margah (2003), quoted by

Gathuru (2017) posited that a number of problems in organizations attempting to manage their budgetary control procedures are budget related due to different reasons among them, lack of keenness in budget preparation which may result to some budgets becoming out-dated even before or during the budget period/year which may lead to little or no value to its purpose.

In their study on factors affecting budgeting processes among SME, Warue and Wanjiku (2013) found evidence that computerized accounting system contributed to budgeting process greatly than any other factor including ownership structure. In a study on challenges confronting human capital development in Nigerian firms, Chidi and Shadare (2011) concluded that budgeting within firms was riddled with challenges which included lack of cooperation from the leadership/management, participation and even little understanding of the budgeting process and its requirements. Challenges stem right from the inability to meet deadlines, budget padding and sheer ignorance of the budget importance by management or outright corruption mindset. Chidi and Shadare (2011) held that the budgeting skill levels of the management, to a great extent, affect the entire budgeting process since its implementation entirely lies with the same management.

According to Cheluget and Morogo (2017), the budgeting process ought to be formal, sophisticated and accurate away from the leadership influence for purposes of transparency and accountability, efficiency and effective budget implementation and service delivery. There is need for automation of the budgeting and execution process since manual or outdated software and hardware or approaches have very damaging effect on their functioning because of the lack of reliable and timely revenue/receipts and expenditure data for budget planning, monitoring, and expenditure control.

### Financial Reporting System on Financial Performance of NG-CDF in Mt. Elgon Constituency

Okere, *et al.*, (2017) in their study carried out an evaluation of the relationship between International Public Sector Accounting Standard (IPSAS) adoption and reliability, credibility and integrity of financial reporting in the Nigerian State Government Administration (NSGA). By employing survey research design, the study found that IPSAS implementation improves reliability, credibility and integrity of the financial reporting in NSGA. The study also concluded that IPSAS implementation in Nigerian public sector had a positive impact on reliability, credibility and integrity of financial reporting.

With the purpose of establishing the effect of audit committee characteristics on quality of financial reporting in Kenyan non-commercial state corporations, Mwangi (2018), by adopting a descriptive research design and census method on 72 corporations through purposive sampling, concluded that audit committee independence, diversity, financial competence and meetings was statistically and significantly related to quality of financial reporting. With such characteristics, the financial reporting system plays a key role towards the NG-CDF Service Delivery performance in Mt. Elgon constituency.

## RESEARCH METHODOLOGY

### Research Design

A research design is a guide on how the research was carried out, the work plan and the time schedule for the research study (Sichangi, 2020). The study adopted a descriptive survey design. A descriptive survey design was suitable for the study because it involves the collection of data from the items/parties of the population for purposes of establishing the current status and the eventual description of specific phenomena in their current trends and linkages between different characteristics of particular data in relation to some or all the study variables (Iminyi and Miroga, 2018).

### Target Population

Target population refers to the population which a researcher uses to generalize the study results (Mugenda and Mugenda, 2003; Iminyi and Miroga, 2018). According to Hair (2013), population is an identifiable total group or aggregation of elements that are of interest and pertinent to specified information problem which includes definition of population from which the sample is drawn. While Ngechu (2014) defined population as a set of people, events, services, elements, group of things or households under investigation. The study target population was eighty (80) respondents which comprised; NG-CDF Committee Members (15), Project Management Committee (14), Community Leaders (36) and Youth Leaders (15).

### Sampling Frame

Sampling frame is a list of research population items from which a sample is drawn (Wabuge, 2019). From Mt. Elgon constituency NG-CDF records, the table below depicted a breakdown of the staffs that was used as respondents for this study;

Table 3.1: Sampling Frame

Group	No. of Respondents
NG-CDF committee Members	15
Projects Management Committee	14
Community Leaders	36
Youth Leaders	15
<b>TOTAL</b>	<b>80</b>

(Source: Mt. Elgon Constituency Records, 2022)



All the membership of the NG-CDF committee and Project Management Committee was contacted, the community leaders were 5 from each of the 7 wards and the sub-county leader while the youth leaders were ward chairmen and secretaries and the sub-county chairman. This totaled to 80 respondents.

### Sample Size and Sampling Technique

Creswell and Creswell (2016) define a sample as the subjects obtained from the total population with an aim of forming an opinion for the entire population. However, there is no widely accepted or recommended statistical formula for the determination of a sample size from the target population although a number of formulae are available for use (Creswell and Creswell, 2016). The sample size for the study was the same as the target population since it comprised a small population.

Mugenda and Mugenda (2012) define sampling technique as the procedure adopted in selecting a sample from among the total population. The study adopted a purposive sampling technique in selecting the 5 respondents for the community leaders group from each ward. Purposive sampling is a type of random sampling technique where a sample size for the study is selected by the researcher according with an aim of ensuring that the sample is as representative as possible according to the required data (Mugenda and Mugenda, 2019).

Census as a sampling technique, takes in to consideration the entire study population (Gathuru, 2017). The study employed the census approach since the target population was not vast enough for the researcher to obtain an expected degree of accuracy for proper analysis and inference during data analysis and interpretation. Census method enabled the researcher to operate with the lowest degree of bias and errors during data interpretation (Kothari, 2014).

### Data Collection Instruments

The study adopted the questionnaire as the data collection tool. According to Kothari

and Garg (2014), a questionnaire is a collection of written questions to the respondents for them to answer, usually in writing. The Likert-scale questionnaire was made up of both open-ended and closed-ended questions in order to capture required relevant data from the respondents for analysis. The questionnaire was organized according to the study variables in addition to the section for the collection of the respondents' general information for the collection of primary data while secondary data was collected from existing literature relating to the area under study, journals, internet and library materials.

### Data Analysis and Presentation

Sichangi (2020) quoted Kothari (2014) in the definition of data analysis as the process of performing concentrated operations in order to summarize data obtained and its eventual presentation in to a format that answers study questions. The researcher, after collecting data, organized it for processing, its coding, tabulation and statistical computations using the Statistical package for Social Sciences (SPSS version 24). Both descriptive and inferential statistical measures were used in the analysis. Descriptive measures included: frequency tables and percentages while inferential statistical measures adopted included: Pearson correlation coefficient and multiple regression analysis for the determination of the relationship between the study variables. The relationship between the variables was established and presented in a multiple regression model taking the form below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon_i$$

Where:

Y	Financial Performance of NG-CDF in Mt. Elgon Constituency
$\beta_0$	The regression Coefficient
$\beta_1, \beta_2, \beta_3, \beta_4$	Independent variables' coefficients
$X_1$	Budgeting
$X_2$	Financial Reporting Systems
$\epsilon_i$	the error term

## RESEARCH FINDINGS AND DISCUSSION

### Analysis of Financial Performance of the NG-CDF of Mt. Elgon Constituency

The data collected on Financial Performance of the NG-CDF of Mt. Elgon constituency was analyzed and tabulated as shown below;

**Table 4.7: Financial Performance of NG-CDF in Mt. Elgon Constituency**

Financial Performance of NG-CDF in Mt. Elgon Constituency N=76		
	Mean	Std. Deviation
The NG-CDF committee is driven towards fulfilling the core mandate of the fund to the constituents	3.735	1.333
The committee responds to challenges, inquiries, concerns and/or complaints from the constituents timely and satisfactorily	3.382	2.326
The committee has put into place good and simple procedures for making/receiving complaints about service delivery by the constituents	2.824	2.641
For purposes of ensuring sustainability, NG-CDF projects meet set objectives successfully.	2.265	1.453

Source: Research data 2022

The results in table 4.7 show that the respondents did commit themselves on the statements “The NG-CDF committee is driven towards fulfilling the core mandate of the fund to the constituents” with a mean of 3.735 and a standard deviation of 1.333. The respondents, however, did not agree to the statements “The committee responds to challenges, inquiries, concerns and/or complaints from the constituents timely and satisfactorily” this was evident from the collected data with a number of respondents remaining neutral. This had a return of a 2.8235 mean and a standard deviation of 2.326. These findings implied that the respondents did not approve the committee response to challenges, inquiries, concerns and/or complaints from the constituents timely and satisfactorily.

The respondents were not committal as to whether the committee has put into place good and simple procedures for making/receiving complaints about service

delivery by the constituents with a mean of 2.824 and a standard deviation of 2.641. The respondents, however, seemed in agreement that for purposes of ensuring sustainability, NG-CDF projects meet set objectives successfully. This was evidenced by the number of respondents who agreed. The mean return on this statement was 2.265 and a standard deviation of 1.453. These findings implied that the respondents looked satisfied that for purposes of ensuring sustainability, NG-CDF projects meet set objectives successfully.

### Analysis of Specific Variables

The analysis of the specific variables was as presented below;

### Budgeting on Financial Performance of Mt. Elgon Constituency NG-CDF

Data on the budgeting variable was collected, analyzed and presented as shown below;

**Table 4.8: Budgeting on Financial Performance of Mt. Elgon NG-CDF**

Statement (N=76)	Mean	Std. Deviation
The Mt. Elgon Constituency NG-CDF relies on very adequate controls put in place to support the budgeting process.	3.727	1.420
The Mt. Elgon Constituency NG-CDF budgeting process is led by well experienced staff	3.091	1.378
The Mt. Elgon Constituency NG-CDF uses a periodic budget	3.594	1.073
The Mt. Elgon Constituency NG-CDF relies on historical data during the budgeting	2.727	1.257

Source: Research data 2022

The results in table 4.7 show that the respondents agree to the statement that “The Mt. Elgon Constituency NG-CDF relies on very adequate controls put in place to support the budgeting process” with a mean 3.727 and a standard deviation of 1.420. The respondents also appeared to support the

statement that the Mt. Elgon Constituency NG-CDF budgeting process is led by well experienced staff through the feedback that accumulated a mean of 3.091 and a standard deviation of 1.378.

On whether the Mt. Elgon Constituency NG-CDF uses a periodic budget, a

substantial number of respondents affirmed that indeed the Mt. Elgon Constituency NG-CDF uses a periodic budget, returning a mean of 3.594 and a standard deviation of 1.073. The respondents finally responded to whether the statement that Mt. Elgon Constituency NG-CDF relies on historical data during the budgeting. They positively and almost unanimously that Mt. Elgon Constituency NG-CDF relies on historical

data during the budgeting at a mean of 2.727 and a standard deviation of 1.257.

### Financial Reporting Systems on Financial Performance of Mt. Elgon Constituency NG-CDF

Data on the effect of financial reporting systems was collected, analyzed and tabulated as shown below;

**Table 4.9: Financial Reporting Systems on Financial Performance of NG-CDF**

Statement (N=76)	Mean	Std. Deviation
NG-CDF committee member commitment in the NG-CDF projects has been enhanced by the use of Financial Reporting System	3.515	1.339
Faster employee response and completion of NG-CDF projects result from financial Reporting System	3.029	1.491
Communication among NG-CDF committee and other stakeholders has been improved by the Financial reporting System in place	3.394	1.116
The Mt. Elgon Constituency NG-CDF committee has set better quality goals in projects undertaken by the committee through the use of a good Financial Reporting System	3.029	1.291

Source: Research data 2022

The results in table 4.8 above show that the respondents agreed (mean 3.515 and S/D 1.339) that NG-CDF committee member commitment in the NG-CDF projects has been enhanced by the use of Financial Reporting System. However, the respondents were less committal as to whether faster employee response and completion of NG-CDF projects result from financial Reporting System going by the smaller mean and greater standard deviation compared to the first statement response of 3.029 and 1.429 respectively.

The respondents overwhelmingly supported the statement that Communication among NG-CDF committee and other stakeholders has been improved by the Financial reporting System in place with a mean and standard deviation of 3.394 and 1.116 respectively and finally, Mt. Elgon Constituency NG-CDF committee has set

better quality goals in projects undertaken by the committee through the use of a good Financial Reporting System as evidenced by the respondents feedback at mean and standard deviation of 3.029 and 1.291 respectively.

### Correlation Analysis

The relationship between the dependent variable (Financial Performance of NG-CDF Mt. Elgon Constituency) and the independent variables (Budgeting, Financial Reporting Systems, Auditing and Book Keeping) was measured using correlation analysis by the help of the SPSS version 24 from which the results were extracted and presented in the table below;

Using the correlation analysis by employing the services of the SPSS version 24 software from which the results were extracted and presented in the table below;

**Table 4.12: Correlation Matrix**

		Budgeting	Financial Reporting Systems	Financial Performance of NG-CDF	
Spearman's rho	Budgeting	Correlation Coefficient	1.000	.608**	.348
		Sig. (2-tailed)	.	.000	.051
		N	76	76	76
	Financial Reporting Systems	Correlation Coefficient	.608**	1.000	.414*
		Sig. (2-tailed)	.000	.	.017
		N	76	76	76
	Financial Performance of NG-CDF	Correlation Coefficient	.348	.414*	1.000
		Sig. (2-tailed)	.051	.017	.
		N	76	76	76

Source: SPSS Extract, 2022

The correlation analysis in table 4.12 show that book keeping, with the strongest correlation, positively affected Financial Performance of the NG-CDF in Mt. Elgon Constituency at ( $r=.741, P<.001$ ). followed by Financial Reporting Systems that affected Financial Performance of NG-CDF at ( $r=.414^*, P<.001$ ), The correlation results were utilized in the measurement of the strength of the relationship between the dependent variable and the independent variables and the eventual recommendations and conclusions of the study (Nang'ole, 2020).

### Relationship Between Variables Goodness of Fit Model

The study used regression analysis in establishing the strength existing between the dependent variable (Financial Performance of the NG-CDF in Mt. Elgon constituency, Bungoma County) and the independent variables (Budgeting and Financial Reporting System). The results showed that the correlation of .862 existed between the variables. This result depicted a good and linear dependence between the

variables. This result therefore considered the model fit for the study.

Table 4.13: Goodness of Fit Model

R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std Error of the Estimate
.862	.743	.798	.005

a. Predictors: (Constants), Budgeting and Financial Reporting Systems)

b. Dependent Variable: Financial Performance of NG-CDF

The adjusted R<sup>2</sup> (coefficient of determination) of .798 in the model was an indication that the independent variables explained 79.8% of the variations in the dependent variable with 20.2% being explained by other factors/variables not dealt with by this study. According to Karani and Osoro (2020), goodness of fit results in a study synopsis the difference between observed values and anticipated values under the model under consideration.

### ANOVA TEST

A multiple regression model was used in measuring and testing the nature of the relationship between the variables. The ANOVA table below was the presentation of the results from the research data analysis that was used in the prediction of the variables.

Table 4.14: ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.941	1	29.941	6.980	.027 <sup>b</sup>
	Residual	321.652	75	4.289		
	TOTAL	351.593	76			

a. Dependent variable: Financial Performance of NG-CDF  
b. Predictors: (Constant), Budgeting and Financial Reporting System

The output (ANOVA) in table 4.14 above that tests whether the model is significantly better at predicting the outcome than using the mean as a "best guess". Specifically, the F-ratio represents the ratio of the improvement in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model. This table is split into three sections: one for each model. The value of the sum of squares SS<sub>m</sub> for the model represents the improvement in prediction resulting from fitting a regression line to the data rather than using the mean as an estimate of the outcome.

If the improvement due to fitting the regression model is much greater than the inaccuracy within the model then the value of F will be greater than one. For initial model F-ratio is 6.980, which is significant ( $p<.05$ ) meaning regression model is fit for this analysis and improves the prediction of the results from fitting the model.

### Simple Regression Analysis

Data analysis on the nature of the relationship among variables was carried out and results presented in the regression table below;

Table 4.15: Regression Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.65	2.406		3.767	.000
	Budgeting	.671	.115	.643	1.457	.412
	Financial Reporting System	.408	.217	.479	1.503	.002

a. P<.01, 95% Confidence level, N=76

The multiple regression model extracted from the above table was as presented below;

$$Y = 17.65 + 0.643X_1 + 0.479X_2$$

The independent variables (Budgeting and Financial Reporting System) significantly affected the dependent variable (Financial Performance of NG-CDF in Mt. Elgon Constituency) in a linear manner as shown by the extracted multiple linear regression model above. The regression results indicated that a unit increase in Budgeting led to a 0.643 unit increase in Financial Performance of NG-CDF in Mt. Elgon Constituency; a unit increase in Financial reporting System led to a 0.479 unit increase in Financial Performance of NG-CDF in Mt. Elgon Constituency, Bungoma County. While, when all other factors were held constant at zero, Financial Performance of NG-CDF in Mt. Elgon Constituency was at 17.650.

## SUMMARY, CONCLUSION, AND RECOMMENDATIONS

### Summary of Findings

#### Financial Performance of NG-CDF in Mt. Elgon Constituency

The study established that majority of the respondents committed that the NG-CDF committee is driven towards fulfilling the core mandate of the fund to the constituents but remained somehow none committal on whether the NG-CDF committee responds to challenges, inquiries, concerns and/or complaints from the constituents timely and satisfactorily. These findings implied that the respondents did not approve the committee response to challenges, inquiries, concerns and/or complaints from the constituents timely and satisfactorily.

The respondents were also none committal as to whether the committee has put into

place good and simple procedures for making/receiving complaints about service delivery by the constituents, they however seemed to be in agreement that for purposes of ensuring sustainability, NG-CDF projects meet set objectives successfully. This was evidenced by the number of respondents who agreed. These findings implied that the respondents looked satisfied that for purposes of ensuring sustainability, NG-CDF projects meet set objectives successfully.

#### Budgeting on Financial Performance of NG-CDF in Mt. Elgon Constituency

The study established that the respondents agreed that Mt. Elgon Constituency NG-CDF relies on very adequate controls put in place to support the budgeting process, they also appeared to be in support that Mt. Elgon Constituency NG-CDF budgeting process is led by well experienced staff. That Mt. Elgon Constituency NG-CDF uses a periodic budget was evident since a substantial number of respondents affirmed the statement. The respondents finally responded positively and almost unanimously that Mt. Elgon Constituency NG-CDF relies on historical data during the budgeting process.

#### Financial Reporting System on Financial Performance of NG-CDF in Mt. Elgon Constituency.

The study established that the respondents affirmed that NG-CDF committee members' commitment in the NG-CDF projects has been enhanced by the use of Financial Reporting System. The respondents were however, less committal in relation to whether faster employee response and completion of NG-CDF projects result from financial Reporting System going by the

smaller mean and greater standard deviation compared to the first statement response.

The respondents overwhelmingly supported that Communication among NG-CDF committee and other stakeholders has been improved by the financial reporting System in place and finally, Mt. Elgon Constituency NG-CDF committee has set better quality goals in projects undertaken by the committee through the use of a good Financial Reporting System as evidenced by the respondents feedback.

## CONCLUSIONS

Basing on the findings, the following conclusions were arrived at:

### **Budgeting on Financial Performance of NG-CDF in Mt. Elgon Constituency**

Correlation analysis established that budgeting positively affected financial performance of Mt. Elgon Constituency NG-CDF. This conclusion was supported by the positive correlation of ( $r=.341$ ,  $P<.001$ ) and the positive regression results as reflected in the regression model of  $.643$ . The correlation results were utilized in the measurement of the strength of the relationship between the budgeting and financial performance of NG-CDF in Mt. Elgon Constituency, Bungoma County and the eventual recommendations and conclusions of the study (Nang'ole, 2020).

### **Financial Reporting Systems on Financial Performance of NG-CDF in Mt. Elgon Constituency**

The correlation analysis results, in the correlation matrix, established that Financial reporting systems positively affected financial performance of Mt. Elgon Constituency NG-CDF as supported by the positive correlation of ( $r=.414^*$ ,  $P<.001$ ) and the positive regression results, though less than in the budgeting variable above, as reflected in the regression model of  $.479$ .

### **Recommendations**

The study made the following recommendations from the findings and

conclusions of the study in order to improve the financial performance of Mt. Elgon constituency NG-CDF: that:

### **Budgeting on Financial Performance of NG-CDF in Mt. Elgon Constituency**

That Mt. Elgon Constituency NG-CDF ensures that adequate controls are put in place and implemented fully to support the budgeting process as well as improving the budgeting process by further considering historical data of the constituency NG-CDF operations.

### **Financial Reporting Systems on Financial Performance of NG-CDF in Mt. Elgon Constituency**

That the NG-CDF committee members' commitment in the NG-CDF projects be continuously enhanced by the use of strengthened Financial Reporting Systems. There was however need for the improvement on employee response and completion of NG-CDF projects since the respondents seemed unconvinced that the employee response was adequate. Continuous improvement of communication among NG-CDF committee and other stakeholders through enhanced financial reporting systems is recommended.

### **Areas for Further Research**

This study only focused on the effect of financial controls on financial performance of NG-CDF in Mt. Elgon constituency, Bungoma County. This was just a single unit in the entire NG-CDF coverage which could not give a fair view of the financial performance of NG-CDF in the country. It is therefore suggested that other scholars carry out similar research in other constituencies in different parts of the county and/or country for comparison purposes to come up with conclusions on the overall financial performance of NG-CDF. Further study may also be necessary by employing other variables other than those investigated here to broaden the scope.

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