# FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF DEVOLVED SUB-COUNTY TREASURIES OF MAKUENI COUNTY, KENYA

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## ABSTRACT

*Financial management helps to improve the profitability position of business organizations with the help of strong financial control devices such as budgetary control and ratio analysis. The National Treasury has issued several guidelines on how counties should spend the available public finances economically, efficiently, effectively and to the satisfaction of various stakeholders. This study sought to determine the relationship between financial management practices and performance of devolved sub-county treasuries in Makueni County, Kenya. Specifically, the study looked at revenue collection practices and budget control practices in relation to the performance of devolved sub-county treasuries of Makueni County. This study was anchored on positive accounting theory. The research adopted a cross-sectional survey design. The study targeted the 227 employees working in the devolved sub-county treasuries within Makueni County from which a sample of 144 respondents being the top-level management, senior management/supervisory level and low-level management staff were considered. Purposive sampling technique was used to pick the respondents. This study collected primary data through use of a questionnaire and secondary data by use of a data collection form. Data was analyzed using descriptive and inferential statistics. Statistical Product and Service Solutions (SPSS) was the main software for data analysis. The results were put in a table form of pie charts and bar graphs to enable interpretation and form the basis of conclusions and recommendation. it was shown that majority of the devolved sub-county treasuries of Makueni County had adopted revenue collection practices. From regression results, revenue collection practices had the second largest and significant influence on performance of sub county treasuries in Makueni County. it was noted that majority of the devolved sub-county treasuries of Makueni County practiced budget control as* *part of the financial management practice. Regression results indicated that budget control practices had the least and insignificant influence on performance of devolved sub-county treasuries of Makueni County. The study recommends that the Revenue Officers working in sub-county treasuries of Makueni County should improve on revenue collection systems in place. The Revenue Managers of the sub-county treasuries of Makueni County should adopt automation of the systems to be used in collection of revenues. The study recommends that the Budgeting Officers of the devolved sub-county treasuries of Makueni County should put more efforts towards improving the budgeting practices in place so as to significantly influence performance.*

Key Words: **Financial Management Practices, Organizational Performance, Budget Control Practices**

## INTRODUCTION

Financial management (FM) is an integral element as far as the management of an entity is concerned. FM relates with how the entity managements the assets in place for generation of revenues while ensuring that the revenues of the owners are maximized (Baker & Martin, 2011). FM includes the ability of the financial manager to plan, organize, direct and control all activities that are linked to finances on the enterprise. Some of the activities that describe financial management include the need to procure and utilize the finances in the entity. FM is the ability of the entity to leverage on general principles of management to ensure that financial resources of the entity are well managed (Eddy & van Veen-Dirks, 2010).

FM relates with undertakings like working capital, financial and investment decisions (Horngren, Harrison & Oliver, 2011). Financing decisions are linked with the tradeoff between use of internal or external sources of funds in the entity (Oladipupo & Okafor, 2013). FM relates with the ability to ensure that different sources of finances have been identified and the amount that each of the sources should give (Salazar, Soto & Mosqueda, 2013). The decision on sourcing will be linked to the period when funds will be sourced, the costs incurred to finance and the probable returns.

There exists a direct link between FM and the ability of the entity to financially perform. Through FM, an entity is able to strengthen its profitability position by leveraging on relevant devices of financial control like ratio and budgetary control (Paramasivan, et. al., 2009). In order for an entity to ensure that its operations have been sustained so as to attain the goals, it is important that its financial activities have been properly and prudently managed (Bhattacharya, 2006). The ability of the entity to perform in financial terns subjectively determines how the enterprise can leverage on its assets in place so as to generate the required revenues (Nandan, 2010). It indicates the overall health of the entity in financial terms and it can be used as a basis for comparing similar entities in the industry of operation.

Organizational performance is reflected in how well an entity leverages on the assets in place to generate revenues for maximization of the shareholders' wealth. It is used to gauge the degree of financial health of the entity over a given period of time (Brigham & Ehrhardt, 2016). The financial indicators of gauging performance of the entity include the level of profits generated by the entity. On the other hand, non-financial proxies of performance include the level of satisfaction of the end users, the degree of effectiveness and consistency in operations. The key indicators of gauging how the entity is able to perform in financial terms include the returns generated by the enterprise on its assets (ROA), its equities (ROE) or the investments in place (ROI). Financial performance can also be reflected in ability of the products of the entity to perform in the market as reflected in the share in the market (Richard, *et al*., 2009).

Kaplan and Norton (2010) noted that the balance scorecard (BSC) is an important tool that links the ability of the entity to perform with its overall goals. There are four basis dimensions (customers, internal processes, financial and learning and growth) within the BSC that shape and predict the degree which the entity performs. The perspective of the customers seeks to ensure that the entity offer products that are well aligned with the needs and expectations of the end users. The internal processes perspective looks at the systems and activities within the entity and how best to improve on them, so as to eliminate wastes and enhance effectiveness. The learning and growth perspective is largely informed by the research and development interventions in the entity (Antônio, Cunha & Lisa, 2015; Kaplan & Norton, 2010). In the public sector entity, the key elements of performance can be either in financial or non-financial terms.

**Financial Management Practices**

Besides leveraging on the principles of management, the key emphasis of financial management is the ability of the entity to finance its working capital and make sound investment decisions (Horngren, Harrison & Oliver (2011). The financing decisions are linked with the degree which an entity decides on whether to use debts or equities or a combination of both to fund projects (Oladipupo & Okafor, 2013). The key activities done within financial management include the identification of the key avenues of finances and the specific amount of money that should be sourced from each avenue (Salazar, Soto & Mosqueda, 2013). The key issues to focus on when making decisions with regard to sourcing include the time, the costs to be incurred and the anticipated returns.

Investment decisions are linked with how the entity opts to put money into noncurrent assets. Any initiative to put money into current assets is viewed as working capital and it goes a long to shaping the financial health of the enterprise (Hofman, 2010). The basic definition of working capital is that the ability of the enterprise to put money into current assets which are expected to be reformed into cash within a time horizon of a year or lower than that (Keown; Martin; Petty; & Scott, 2005). In this study financial management practices will include revenue collection practices, budget control practices, financial reporting and analysis and assets management practices.

**Revenue Collection Practices**

According to Maseko and Manyani (2011), the system of collecting revenues ensure that relevant information on the management and the owners of the entity has been availed to gauge how well an entity is performing. Srinivasan (2008) in an inquiry into the systems of collecting cash and its role as far as the ability of the entity to perform is concerned noted that a direct and significant link exists between the maintaining of the accounts books and the degree of the firm to perform. This implies that the practices of collecting cash in the entity are critical as far as the success of the enterprise is concerned (Roncalli, 2018). Besides leveraging on the principles of management in efforts to look for funds, financial management relates with the investment and the financing decision of the entity (Salazar, Soto & Mosqueda, 2013). Financing decisions are linked with whether an entity requires financing and how the entity will finance the projects in place (Heshmati & Loof, 2008).

**Makueni County**

Makueni County is one of the 47 counties located in Eastern part of Kenya. The County is divided into six sub-counties which include Makueni, Kibwezi West, Kaiti, Kibwezi East, Kilome and Mbooni. Counties in Kenya are guided by the Public Finance Management Act (PFMA) 2012 through the Public Finance Management Regulations (PFMR) 2015 and the County Financial Regulations Manual (CFRM) which empowers the County Executive Committee member for finance to be the head of the County Treasury, whereas the auditor general office is expected to audit books of accounts of the county governments, thus monitoring the activities of the county treasuries in managing the public finances.

To improve linkages between planning and budgeting, the funding to programs in the financial year 2018/19 will be on the basis of how department programs demonstrate consistency towards the realization of the overall goal of economic empowerment for sustainable livelihoods for all. The audit committee was also constituted, an asset register established, fleet management system and an integrated records management system installed. The county upheld participatory development through a robust public participation framework of developing and implementing of asset management policy. The strategies identified in the annual development plan will be expounded in the pillar/sector working group reports which will thereafter be used to set the ceilings in the Makueni County fiscal strategy paper.

**Statement of the Problem**

The National Treasury has issued several guidelines on how counties should spend the available Public finances economically, efficiently, effectively and to the satisfaction of various stakeholders (Chepkemoi, 2013). These guidelines are meant to ensure proper financial management practices in the counties in Kenya. Despite the several measures to ensure proper financial management many counties failed to make proper decisions in managing of their finances (Mwangi & Kosimbei, 2014). In addition, the counties have not practiced proper bookkeeping and budgeting practices more so in their devolved units. Consequently, most of these devolved units are unable to pay their creditors on time of which some of the creditors end up suing the counties demanding to be paid (Mwangi, Makau & Kosimbei, 2014). Donations and grants from various sources meant for development in the counties are not properly accounted for (Mwangi & Iraya, 2014) and workers in most of counties are going for months without payment of their salaries. When county treasuries are questioned about the county expenditures, they are not able to give proper accounting of the use of these finances since they have very incomplete records (Mundu, 2012).

The challenges in effective implementation of financial management practices in counties and issues dealing with financial performance pushes for analyzing the relationship between the two variables. The gaps shown by the different studies either in context, concept or methodological creates a need for filling up the knowledge gap. The researcher sought to fill these shortcomings by determining the relationship between financial management practices and performance within the devolved sub-county treasuries of Makueni County.

**Objectives**

i) To study how revenue collection practices, enhance performance in devolved sub-county treasuries of Makueni County.

ii) To determine the contribution of budget control practices to performance of devolved sub-county treasuries of Makueni County.

## LITERATURE REVIEW

### Theoretical Review

The study is anchored on Positive Accounting theory advanced by Jensen in 1976 and explains the main role that accounting function plays within the organization, explains the reasons for accountants' behavior and what guides their actions and interactions of the organizational resources including the people. This theory was further developed by Zimmerman and Watts (1986) who share that the accounting function in a firm has a big role in explaining and predicting the accounting practices of any entity through different seasons and the changing operating environment. The standards set in accounting can easily be predicted by the cash flows of the business entity or any firm. The attitude of the management team of any enterprise towards the accounting standards is affected by how the same standards impact the cash flow of the organization. An organization or enterprises is likely to adopt and implement all the accounting standards set by different bodies, if these standards positively impact the cash flows of the firm.

The Positive Accounting Theory (PAT) has been adopted in trying to explain why some firms have taken to voluntary social disclosures through using then political cost hypothesis (Ghanbari, Manesh, Khorasani, Hesam & Nejad, 2016). At the same time, the PAT seek to share the role and key functional aspect played by the political cost element. As such the theory helps to explain why and how sub-country treasury units can adopt effective financial management practices that will direct it into sound resource utilization. The sub-county treasuries can look into budget control measures and financial reporting and its analysis to ensure prudent management of financial resources that will increase its performance and achieving its mandate.

The positive accounting theory can be adopted by different entities and enterprises to determine the measures that can adopted in lowering agency costs like the costs incurred by the organization to write contracts. This is a common element within counties since no work and activities can be performed without any binding contracts that will stipulate the actions and performance measures of the contractors (Santoso, & br Sebayang, 2017). The adopting of PAT will guide the administrators at Makueni County on measures they can adopt to cut operational costs and ensure prudent financial resource usage. As such the theory is relevant in exposing the value of budgeting and budget control measures to cut down on operational costs and prudent use of resources that increase the success achieved by the different units within the county. The relevance of this theory to the study is that it explores the relevant accounting practices that may be adopted to facilitate improvement in financial performance of the entity. Furthermore, the study exposes the value of linking budget control measures to performance of the sub-county treasuries.

## Empirical Literature Review

### Revenue Collection and Performance

Karori, Muturi and Mogwambo (2016) did an inquiry to link collection of revenues and operational performance. The specific focus of the inquiry was on the county of Kisii. The key emphasis of the inquiry was on efficiency in collection of revenues and the role it play as far as operational performance was concerned. It was noted that the collection of revenues has a direct link with the degree which an entity performs. The ability to collect revenues from local has been shown to have a direct link with how the government finances its key interventions.

Adenya and Muturi (2017) looked at the key factors that shape the efficiency as far as gathering of revenues is concerned. The focus of the inquiry was on the countries in Kenyan context. Specifically, the inquiry covered the county of Kiambu. Leveraging on data gathered from first hand sources. It was noted that the capacity to collect revenues, the systems of internal controls and the associated mechanisms of enforcement all have a direct link with how the entity performs. The study shared that the counties collect revenues from different sources including the taxes and duties especially from customs.

Gituma (2017) focused on the county of Kiambu to bring out the factors that shape the effectiveness of the system that collects revenues. The targeted respondents added up to 132 in total and the views were gathered from the first hand sources. It was shared that the policy of the government, the available regulations and rules all has a direct link with the extent which revenues are collected. It was shared that for the counties to optimally fund their operations, efforts should be made to gather adequate amount of revenues. High revenue collection was seen to shape how the operations of the country were conducted which contributed to the overall wellbeing and health of the county.

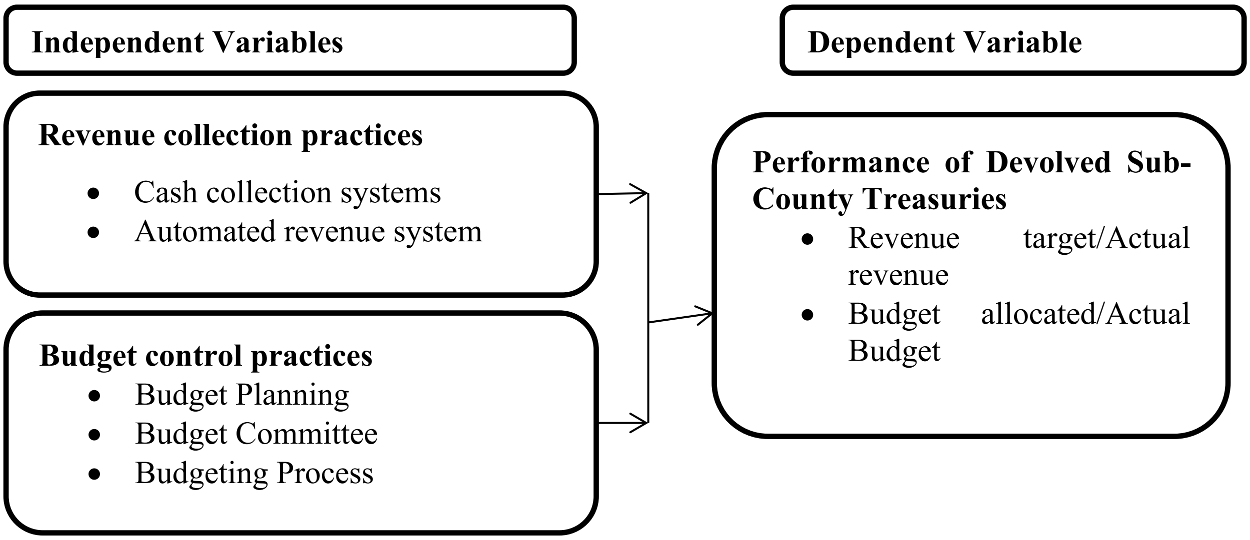
### Budget Control Practices and Performance

Otieno (2019) did an inquiry into budgetary control and its link with the ability of institutions of higher learning in Kenya to financially perform. The specific focus of the inquiry was public sector universities. Among the targeted respondents include the finance officers and the accountants. The views from the respondents were gathered with aid of the questionnaire. The period of the inquiry was from 2014 all through to 2017. The inquiry argued that planning, con coordination and control of the budget have direct link with the degree which an entity perform financially. Budgetary control was seen to cover the mechanisms of cutting down on the expenses so as to meet the stated objectives.

Kalule (2016) did an inquiry focusing on budgetary control and its link with financial performance. The inquiry was conducted focusing on government sponsored secondary leaning entities in the context of Uganda. The inquiry leveraged on correlational design with a total of 94 respondents being targeted. It was shown that planning and the ability to perform in financial terms are linked with each other in significant terms. The inquiry indicated that clear budgetary control mechanisms ensure that an entity is able to control the costs in place which go a long way to maximizing the wealth of the shareholders.

Koech (2015) looked at budgetary control and its link with performance in financial terms. The inquiry covered the manufacturing entities in Kenya. By leveraging on descriptive design, it was noted that a direct and significant link is evident between budgetary control and the ability of the firm to financially perform. It was noted that through budgetary control, majority of the entity are able to cut down on possible expenses which translates to maximization of the wealth of the owners in the entity. The inquiry showed that through budgetary control, the entity is able to maximize on the revenues that have been generated.

**Conceptual Framework**




**Source: Author (2021).**

## RESEARCH METHODOLOGY

The study followed a cross-sectional survey research design which was carried on management of devolved sub-county treasuries in Makueni County. The study targeted all the employees working in the six (6) sub-county treasuries of Makueni County. The devolved sub-county treasuries of Makueni County have a total of two hundred and twenty-seven (227) employees. A representative sample size of 144 respondents was obtained and used in this study through adoption of the Yamane 1967 formula. Purposive sampling technique was used to pick the respondents at the departments in devolved sub-county treasuries of Makueni County. The study focused on top level management, senior management/supervisory level and low level management staff as they make key decisions and execute the financial management practices. This sample size was deemed fit since it was manageable to respond to research questionnaire. The study used a questionnaire to collect primary data which was tested for both validity and reliability to ensure that the data collected was reliable. Data was analyzed using descriptive and inferential statistics. Descriptive statistics gave the magnitude of the variables under study and presented in the form of tables and graphs. Correlation analysis was used to estimate the association of the selected variables of the study. The following regression equation was used to establish the relationship between financial management practices and performance of devolved sub-county treasuries in Makueni County.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where Y is performance of devolved sub-county treasuries
$X_1$ = Revenue collection practices
$X_2$ = Budget control practices

## DATA ANALYSIS AND FINDINGS

A total of 144 questionnaires were administered out of which 91 were completely filed and returned giving a response rate of 63%. On the age distribution of the respondents, 25.3% of the respondents were 46-55 years, 23.1% were 18-25 years, 22.0% were 26-35 years, 16.5% were over 55 years and 13.2% were 36-45 years. On the highest Level of Education, 37.4% of the respondents had college level education, 36.3% were graduates, 18.7% had post graduate level of education and 7.7% had secondary level education. In relation to years of Experience, 44.0% of the respondents had worked in their organization for 2-5 years, 42.9% for less than 2 years and 13.2% for 5-10 years.

### Extent of Implementation of Financial Management Practices

Table 1 is a summary of the frequencies and percentages on the extent which their respective sub-county treasury had employed financial management practices.

**Table 1: Extent of Implementation of Financial Management Practices**

| Category | Classification | Frequency | Percentage |
|---|---|---|---|
| Revenue collection practices | Very low extent | 2 | 2.2 |
| | Low extent | 4 | 4.4 |
| | Moderate extent | 21 | 23.1 |
| | Great extent | 44 | 48.4 |
| | Very great extent | 20 | 22.0 |
| | **Total** | **91** | **100.0** |
| Budget control practices | Very low extent | 2 | 2.2 |
| | Low extent | 12 | 13.2 |
| | Moderate extent | 8 | 8.8 |
| | Great extent | 53 | 58.2 |
| | Very great extent | 16 | 17.6 |
| | **Total** | **91** | **100.0** |
| Financial reporting and analysis practices | Very low extent | 2 | 2.2 |
| | Low extent | 12 | 13.2 |
| | Moderate extent | 20 | 22.0 |
| | Great extent | 31 | 34.1 |
| | Very great extent | 26 | 28.6 |
| | **Total** | **91** | **100.0** |
| Asset management practices | Very low extent | 4 | 4.4 |
| | Low extent | 6 | 6.6 |
| | Moderate extent | 20 | 22.0 |
| | Great extent | 39 | 42.9 |
| | Very great extent | 22 | 24.2 |

| | | |
|---|---|---|
| **Total** | **91** | **100.0** |

**Source: Field Data (2020)**

The results in Table 1 indicate that 48.4% of the respondents were of the view that revenue collection practices had been implemented in their respective sub-county treasuries to a great extent. At the same time, 58.2% of the respondents shared that budget control practices had been implemented in their organization to a great extent. The study established that 34.1 of the respondents were of the view that financial reporting and analysis practices had been implemented in their organization to a great extent. It was shown that 42.9% of the respondents shared that asset management practices had been implemented in their organization to a great extent. Thus, it can be inferred that the studied organizations had implemented financial management practices to a great extent.

The subsequent sections will detail on the individual financial management practices as implemented by the organizations.

**Budget Control Practices**

The first financial management practice was budget control practice. The findings of the descriptive statistics covering means and standard deviation on this variable are indicated in Table 2.

**Table *2*: Budget Control Practices**

| | Mean | Std. Dev |
|---|---|---|
| Forecasting of revenues and expenditures affect the financial management | 3.72 | 1.106 |
| Budget analysis is essential in an organization | 3.49 | 1.026 |
| We forecast income first, and then create expense budgets within these constraints. | 3.75 | .958 |
| Budget consistency and forecasting should be aligned with strategic objectives of the organization | 3.61 | 1.142 |
| Managers are evaluated in part on the accuracy of their budgets. | 3.71 | 1.003 |
| The assumptions underlying budgets are made explicit and are challenged and tested. | 3.75 | .992 |
| **Overall Score** | **3.67** | **1.038** |

**Source: Field Data (2020)**

The findings in Table 2 indicate an overall mean score (M=3.67), this is interpreted to mean that budget control practices had been adopted as one of the financial management practices among the studied organization. These findings are corroborated by Premchand (2004) who shared that it is important to have a budget since it aids in planning and formulating policies through keeping track on their implementation. According to Demba (2013), proper budget control process needs to attain three important objectives, namely, operational or technical efficiency, attaining allocative efficiency and maintenance of fiscal discipline.

All the statements had values of means above 3.6 except the fact that budget analysis was essential in an organization where respondents moderately agreed on it with a mean of 3.49. Respondents highly agreed on the fact that they forecasted income first and then created expense budgets within these constraints (M=3.75 and that the assumptions underlying budgets were made explicit and are challenged and tested (M=3.75).

**Revenue Collection Practices**

The findings on revenue collection as a financial management practice in the studied organizations are as shown in Table 3.

**Table 3: Revenue Collection Practices**

| | **Mean** | **Std. Dev** |
|---|---|---|
| Our sub-county treasury have set proper policies of revenue collection | 3.56 | 1.080 |
| Our sub-county treasury reviews revenue collection systems and processes | 3.75 | 1.014 |
| Resource allocation or monitoring is necessary | 3.72 | .803 |
| Our sub-county treasury has put in place a functional revenue collection department | 3.91 | 1.029 |
| Our sub-county treasury is transparent and accounts for every cent collected | 3.75 | .765 |
| Our sub-county treasury has effective systems of detecting fraud in revenue collection | 3.93 | .904 |
| The sub-county treasury has enough cash to meet its obligations effectively as and when they fall due | 3.73 | .998 |
| The revenue collected in our sub-county treasury is directed to planned projects | 3.75 | 1.014 |
| **Overall Score** | **3.76** | **.951** |

**Source: Field Data (2020)**

Table 3 indicates an overall mean (M=3.76), this means that majority of the respondents highly agreed on the fact that revenue collection was highly practiced in their organization. The assertion is supported by higher values of means on the statements covering revenue collection practices of above 3.5. The findings are consistent with Maseko and Manyani (2011) who shared that revenue collection system provides a source of information to owners and managers of firms in any given industry for use in the measurement of performance. Roncalli (2018) indicated that it is crucial therefore that the cash collection practices of firms supply complete and relevant financial information needed to improve economic decisions made by entrepreneurs.

**Performance of Devolved Sub-County Treasuries of Makueni County**

The dependent variable of the study was performance. This section will present the findings using primary and secondary data.

**Analysis of Primary Data on Performance of Devolved Sub-County Treasuries of Makueni County**

The study collected primary as well as secondary data on this variable. Table 4 is a summary of the descriptive statistics covering means and standard deviations, frequencies and percentages on the primary data.

**Table 4: Primary Data Analysis of Performance of Devolved Sub-County Treasuries**

| Category | Classification | Frequency | Percentage |
|---|---|---|---|
| Our sub-county treasury has experienced an increase in assets over the last 5 years | Very low effect | 2 | 2.2 |
| | Low effect | 10 | 11.0 |
| | Moderate Extent | 12 | 13.2 |
| | Great Extent | 45 | 49.5 |
| | Very Great Extent | 22 | 24.2 |
| | **Total** | **91** | **100.0** |
| Our sub-county treasury focus more on employee productivity | Very low effect | 6 | 6.6 |
| | Low effect | 16 | 17.6 |
| | Moderate Extent | 12 | 13.2 |
| | Great Extent | 37 | 40.7 |
| | Very Great Extent | 20 | 22.0 |
| | **Total** | **91** | **100.0** |
| Our sub-county treasury improve firm performance through service delivery | Very low effect | 4 | 4.4 |
| | Low effect | 10 | 11.0 |
| | Moderate Extent | 22 | 24.2 |
| | Great Extent | 23 | 25.3 |
| | Very Great Extent | 32 | 35.2 |
| | **Total** | **91** | **100.0** |
| Our sub-county treasury competitive advantage and superior firm performance | Very low effect | 6 | 6.6 |
| | Low effect | 4 | 4.4 |
| | Moderate Extent | 24 | 26.4 |
| | Great Extent | 35 | 38.5 |
| | Very Great Extent | 22 | 24.2 |
| | **Total** | **91** | **100.0** |
| To what percentage would you divide up increase in the performance of your sub-county treasury? | 50% | 50 | 54.9 |
| | 75% | 35 | 38.5 |
| | 100% | 6 | 6.6 |
| | **Total** | **91** | **100.0** |
| Do you foresee the performance of your respective sub-county treasury improving or not improving? | Improving | 57 | 62.6 |
| | Not improving | 34 | 37.4 |
| | **Total** | **91** | **100.0** |

**Source: Field Data (2020)**

The results in Table 4 indicate that 49.5% of the respondents noted that their sub-county treasury had experienced an increase in assets over the last 5 years to a great extent, 40.7% said that their sub-county treasury focused more on employee productivity to a great extent, 35.2% said that their sub-county treasury improved firm performance through service delivery to a very great extent and 38.5% said that their sub-county treasury had improved its competitive advantage and superior firm performance to a great extent. At the same time, 54.9% of the respondents noted that their sub-county had increased its performance by 50% and 62.6 of the respondents were optimistic that performance of their sub-counties were improving. The subsequent sections will present the trend analysis using the secondary data that was collected in the study.

**Trend Analysis on Secondary Data**

The study collected secondary data on revenue target, actual revenue, budget allocated and actual budgets as well as the assets of the Makueni County. Data was collected covering a seven year period (2013-2020). Figure 1 gives the trend of targeted revenues against the actual revenues collected across the study period.

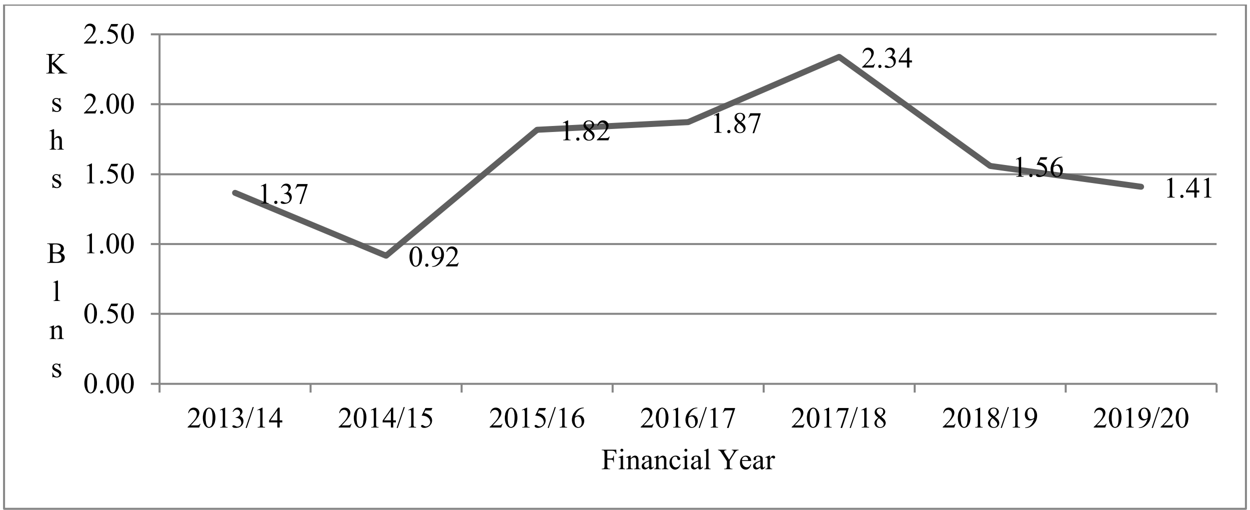



**Figure 1: Trend Analysis on Target Revenues against Actual Revenues**

**Source: Field Data (2020)**

The findings in Figure 1 indicate that there was fluctuation in target revenues against the actual revenues collected in Makueni County. The financial year 2014/15 had the least deviation between the targeted and actual revenues collected while 2017/18 financial year is where less was collected against the targeted revenues. The implication of the findings in Figure 4.5 is that none of the target revenues projections have been surpassed in Makueni County.

The study determined the ratio between budget allocation and the actual budget of Makueni across the study period. The data collected was used to compute the ratio as presented in Figure 2.

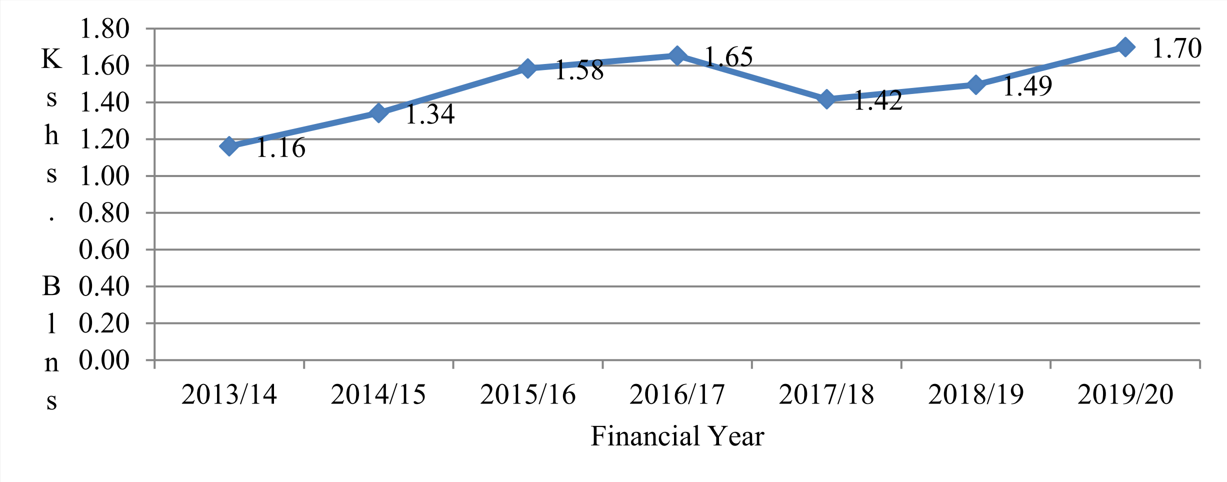



**Figure 2: Budget Allocated against Actual Budget**
**Source: Field Data (2020)**

From the results in Figure 2, there was generally stability in the budget allocated against the actual budget of Makueni County. This could be attributed to the budgetary control practices that are in place at Makueni County devolved sub county treasuries. The assets of Makueni County were recorded and their natural logarithm was taken for standardization. The trend analysis was then determined as indicated in Figure 3.

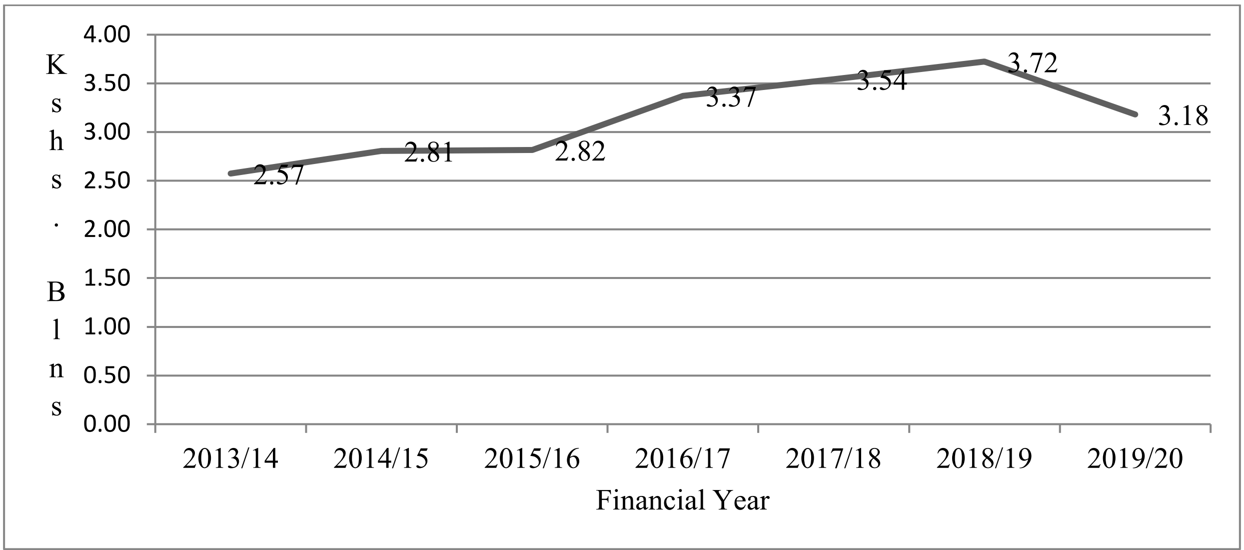



**Figure 3: Trend Analysis of Assets**
**Source: Field Data (2020)**

The findings in Figure 3 indicate that there was a general increase and stability in the assets of Makueni County. This trend could be attributed to the asset management practices that various sub-counties of Makueni County had adopted.

**Inferential Statistics**

This section details the findings of inferential statistics covering correlation and regression analysis. The essence of correlation analysis was to establish the relationship between financial management practices and performance. On the other hand, regression analysis aimed at determining the effect between financial management practices and performance.

**Correlation Matrix Showering Relationship between Financial Management Practices and Performance**

Correlation analysis was conducted to establish the relationship between financial management practices and performance of devolved sub-county treasuries of Makueni County. The findings were established and summarized as shown in Table 5.

**Table 5: Correlation Matrix**

| | | Performance | Budget Control Practices | Revenue Collection Practice |
|---|---|---|---|---|
| Performance Treasuries | Pearson Correlation | 1 | | |
| | Sig. (2-tailed) | | | |
| | N | 91 | | |
| Budget Control Practices | Pearson Correlation | .578** | 1 | |
| | Sig. (2-tailed) | .000 | | |
| | N | 91 | 91 | |
| Revenue Collection Practice | Pearson Correlation | .213* | .174 | 1 |
| | Sig. (2-tailed) | .042 | .099 | |
| | N | 91 | 91 | 91 |

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

*. Correlation is significant at the 0.05 level (2-tailed).

**Source: Field Data (2020)**

The results in Table 5 indicate that budget control practices are strong correlates (r=0.578) of performance of sub county treasuries in Makueni County. The study revealed that revenue collection practice (r=0.213) has a weak relationship with performance of sub county treasuries in Makueni County. Thus, it can be inferred that financial management is a correlate of performance of sub county treasuries in Makueni County. This is consistent with Rugutt (2018) who carried out a study testing the relationship between financial management practices and financial performance of KTDA managed tea factories in Kenya and the findings indicated that capital structure decisions and investment budget management highly affected the financial performance of KTDA managed tea factories.

**Regression Results showing Effect of Financial Management Practices on Performance**

In order to establish the effect of financial management practices on performance of devolved sub-county treasuries, regression analysis was conducted. Table 6 gives the findings of the model summary of the regression.

**Table 6: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .886[a] | .784 | .774 | .32623 |

a. Predictors: Revenue Collection Practices, and Budget Control Practices

**Source: Field Data (2020)**

From Table 6, the value of R is 0.886, which is interpreted to imply that financial management practices are strong correlates of performance of devolved sub-county treasuries in Makueni County. Addo (2017) carried out a study to establish how financial management practices affect financial performance with focus on top 100 SMEs in Kenya and established that working management practices affected financial performance of SMEs less significantly. The value of R square is given as 0.784, this means that 78.4% change in performance of devolved sub-county treasuries in Makueni County is explained by the financial management practices that are in place. An Analysis of Variance was conducted at 5% level of significance in order to determine the overall significance of the model. Table 7 gives a breakdown of the results.

**Table 7: ANOVA Findings**

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 33.309 | 2 | 16.655 | 157.118 | .000[b] |
| Residual | 9.153 | 86 | .106 | | |
| **Total** | **42.462** | **90** | | | |

a. Dependent Variable: Performance of Devolved Sub County Treasuries
b. Predictors: (Constant), Asset Management Practices, Revenue Collection Practices, Budget Control Practices, Financial Reporting and Analysis Practices

**Source: Field Data (2020)**

Table 7 gives the findings on F calculated as 157.118, whose implication is that the overall model used in the study was significant. The p-value is given as 0.000 which is less than 0.05 and thus it can be inferred that financial management practices have significant effect on performance of devolved sub-county treasuries of Makueni County. Consistent with these findings, Yogendrarajah et al (2017) did a research to establish the influence of financial management practices on performance of small and medium enterprises of Sri Lanka where results of the study revealed that there is a significant difference in the application of financial management practices between small and medium enterprises. Butt, Hunjra and Rehman (2010) estimated the impact of financial management practices on organizational performance in the corporate sector and the results revealed that there exists a significant relationship between financial management practices and organizational performance in Pakistani corporate sector.

The beta coefficients and p-values showing significance of the variables of the study were determined and summarized as shown in Table 8.

**Table 8: Regression Beta Coefficients and Significance**

| | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | t | Sig. |
| (Constant) | 25.894 | 1.990 | | 13.012 | .000 |
| Budget Control Practices | .004 | .019 | .020 | .192 | .848 |
| Revenue Collection Practices | .093 | .017 | .451 | 5.426 | .000 |

a. Dependent Variable: Performance of Devolved Sub County Treasuries

**Source: Field Data (2020)**

The general objective of this study was to determine the relationship between financial management practices and performance of devolved sub-county treasuries of Makueni County, Kenya. From the findings in Table 8, it can be shown that when holding financial management practices constant, performance of the devolved sub-county treasuries in Makueni County would be at 25.894 with p-value less than 0.05. Consistent with these views, Yogendrarajah, Kengatharan, and Suganya (2017) revealed that there is a significant difference in the application of financial management practices between small and medium enterprises. Butt, Hunjra and Rehman (2010) revealed that there exists a significant relationship between financial management practices and organizational performance in Pakistani corporate sector.

The first research question sought to establish how revenue collection practices enhanced performance in devolved sub-county treasuries of Makueni County. It was shown that when all other factors are held constant, a unit change in revenue collection practices would lead to 0.093 unit increase in performance in devolved sub-county treasuries of Makueni County. At 5%, it was shown that the p-value ($p<0.05$), which was interpreted to imply that revenue collection practices significantly enhanced performance in devolved sub-county treasuries of Makueni County. The results are in line with Srinivasan (2008) who did a study to determine the effect of cash collection systems on firm performance and found out that there is a significant positive relationship between books keeping and records keeping, but only when success is measured in terms of operator's labor and management income.

The second research question sought to establish the contribution does budget control practices have on performance of devolved sub-county treasuries of Makueni County. The results showed that when all other factors are kept constant, a unit change in budget control practices would lead to 0.004 unit increase in performance of devolved sub-county treasuries of Makueni County. However, its p-value ($p>0.05$), hence budget control practices had no significant influence on performance of devolved sub-county treasuries of Makueni County. Addo (2017) registered a significant relationship between cash budget management practices and Performance of top 100 SMEs in Kenya. Maritim (2013) established that budgeting practices which were commonly practiced in manufacturing and commercial Parastatals in Kenya were found to be budgetary sophistication, budget participation, and budget planning.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

The study sought to establish how revenue collection practices enhanced performance in devolved sub-county treasuries of Makueni County. Based on descriptive statistics, it was shown that majority of the devolved sub-county treasuries of Makueni County had adopted revenue collection practices. Correlation results indicated that revenue collection practice had a weak positive relationship with performance of sub county treasuries in Makueni County. From regression results, revenue collection practices had the second largest and significant influence on performance of sub county treasuries in Makueni County.

The second research question sought to establish the contribution does budget control practices have on performance of devolved sub-county treasuries of Makueni County. From descriptive statistics, it was noted that majority of the devolved sub-county treasuries of Makueni County practiced budget control as part of the financial management practice. Correlation analysis indicated that budget control practices are strong correlates of performance of sub county treasuries in Makueni County. Regression results indicated that budget control practices had the least and insignificant influence on performance of devolved sub-county treasuries of Makueni County.

**Recommendations for Policy and Practice**

The results of the regression beta coefficients indicated that revenue collection had the second largest beta coefficient that was significant. Based on this finding, the study recommends that the Revenue Officers working in sub-county treasuries of Makueni County should improve on revenue collection systems in place. The Revenue Managers of the sub-county treasuries of Makueni County should adopt automation of the systems to be used in collection of revenues. The Information and Communication Technology (ICT) Managers of sub-county treasuries of Makueni County should ensure that such systems of collecting revenues in place are efficient and accurate through regular maintenance.

Regression beta coefficients showed that budget control practices had the least and insignificant influence on performance in devolved sub-county treasuries of Makueni County. Thus, the study recommends that the Budgeting Officers of the devolved sub-county treasuries of Makueni County should put more efforts towards improving the budgeting practices in place so as to significantly influence performance.

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