RELATIONSHIP BETWEEN FINANCIAL PLANNING PRACTICES AND PERFORMANCE OF CONSTITUENCY DEVELOPMENT FUNDED PROJECTS IN NDHIWA CONSTITUENCY, HOMA BAY COUNTY, KENYA

BY

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ABSTRACT

The Constituency Development Fund (CDF) was implemented in 2003 to address challenges of unbalanced development and poverty at the grassroots level in Kenya. However, studies indicate that up to 40% of projects funded by the Fund in Kenya have failed, with up to 60% failure in Ndhiwa Constituency which indicates poor performance. Whilst financial planning practices have previously been shown to influence performance, the relationship between cash budgeting, cash flow projection and capital budgeting practices and the performance of Ndhiwa CDF funded projects is unknown. The study was anchored on Traditional development theory and Agency theory. The purpose of this study was to establish the relationship between financial planning practices and performance of Ndhiwa CDF funded projects. Specifically the study sought to; establish the role of cash budgeting in performance of the Ndhiwa CDF-funded projects, determine the relationship between cash flow projection and performance of the Ndhiwa CDF-funded projects, and to evaluate the influence of capital budgeting on performance of Ndhiwa CDF-funded projects. The study adopted correlational research design. Out of a total population of 455 Project Management Committee (PMC) members, a sample of 213 PMC members were selected using simple random sampling technique. Primary data were collected using questionnaires. Through test-retest method, a reliability coefficient of 0.8 and content validity index (CVI) of 0.774 were determined. The statistics were above the threshold of 0.7 suggesting that the questionnaire was reliable and valid. Multiple regression was used to analyse the data. The study revealed that a unit increase in cash budgeting leads to a 0.794 significant increase in performance of CDF funded projects ($p = 0.047$). A unit Cash flow projection ($p = 0.051$) and capital budgeting ($p = 0.061$) were found to have insignificant positive relationship with performance of CDF funded projects. The study concluded that cash budgeting was a significant determinant of performance of CDF funded projects among the financial planning practices. The study recommends that cash budgeting be applied more in CDF funded projects. This study's findings may contribute to the existing literature on CDF funded projects and form a basis for formulation of policies on management of community projects.

CHAPTER ONE: INTRODUCTION

This chapter presents a preview to the concepts of financial planning practices and performance. In the chapter, the research problem, purpose of the study, objectives of the study, statement of the problem and the conceptual framework that the study adopted are also presented.

1.1 Background of the Study

The constituency development fund was established in Kenya through the CDF Act 2003 that was published in the Kenya Gazette supplement No 107 of 9th January 2004 (Mwangi, 2013). The CDF Act 2003 has been amended twice in, 2007 and in 2013. The main purpose of establishing the Fund was because it was viewed as a key strategic driver of social-economic development in Kenya. Its development initiative targeted the constituencies by devolving resources to meet socio-economic objectives, which were previously not being effectively met by the central government, (Mwangi, 2013). A report by the Kenya Institute of Public Policy and Research (KIPPRA) (2013) indicates that the CDF has transferred billions of Kenya shillings to the rural and urban areas through constituency-based development projects. By 2013, about 43,000 CDF projects had been established in various parts of the Kenya. The impact of these projects was experienced in the key sectors funded by CDF such as education with about 38 % of the allocations, health 11 % and water 8 %. Through the CDF programme, a total disbursement of KES 70.8 billion had been made to the 210 constituencies since its inception in 2003 to 2013.

According to the National Tax-payers Association (NTA) (2013), the main goal of CDF was fighting poverty at the grassroots level. To achieve this goal the CDF ensures that constituencies receive 2.5% of the Government annual ordinary revenue, besides monies to be received from other sources by the CDF Board. The CDF fund was first distributed equally among the 210 constituencies but since 2004 the central government has committed to use an allocation formula to distribute the development funds such that the government may not renege on its obligation as happened in previous decentralization programs. This formula also aims to provide a fairly uniform fund to each constituency, but some allowance is made for poverty levels, such that the poorest constituencies receive slightly more resources. It is estimated that 75% of the net available fund is distributed equally among all 290 constituencies, whilst 25% of the net available fund is distributed according to a weighted value of the constituency's contribution to national poverty. The weighting factor

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applied to the constituency contribution to poverty is the ratio of urban-rural poor population derived from the 1999 population and housing census. This weight favors rural areas by a factor of 0.23 to urban areas. In total, the government allocated about 100 billion Kenya shilling to the CDF fund since 2003 to 2013 (Mwangi, 2013).

According to Paul and Anantharaman (2003), financial planning practices are important because they supplement prudential regulation and they can be a good guide for prudent behavior. According to them, the financial planning practices however can only go so far since their utility may be limited by the fact that adherence to a set of performance standards may be difficult to achieve without an external disciplining body. For instance, project fund performance through an efficient capital budgeting process is a measure of how well a project can plan for acquisition and allocation of assets from its primary mode of business. According to Pandey (2004), financial planning involves three main processes; cash budgeting, capital budgeting and cash flow projection.

Wanyama (2009) notes that the cash budgeting process is one of the financial planning practices used as a general measure of a project's overall financial health over a given period, and has been used to compare similar projects. It is further noted that although measuring financial performance by using efficiency of the cash budgeting process is considered a simple task, it has its specific complications such as estimation of future cash flows. A number of empirical studies have been conducted on the role of cash budgeting on the success of projects. Mwangi (2013) found that cash budgeting has no significant relationship with the performance of projects while studying the effect of fund management practices on the financial performance of CDF funded water projects in Molo constituency. The study used a cross-sectional survey research design. Kibebe and Mwirigi (2013), on the other hand found that there was a significant relationship between managerial factors, and social factors and implementation of CDF projects in Kimilili Constituency using survey design. One of the managerial factors studied was cash budgeting. Hossain (2008) in a study on factors influencing participatory development in areas such as cash budgeting on 25 community-based projects in Bangladesh revealed that cash budgeting has a negative significant relationship with performance of community-based projects since the local people are not involved in the cash budgeting process. The study was mainly descriptive. Auya and Oino (2012) while studying the role of CDF in rural development in Kenya using a survey research design found that the success of CDF as a rural poverty alleviation strategy is not only

associated with availability of funds, but also with a myriad of factors, which include beneficiary participation and involvement and consultative decision making among all parties involved, prioritizing needs by the locals through processes such as cash budgeting, good leadership and coherent and transparent phase-out plans. The study generally found that cash budgeting has a positive significant relationship with the performance of projects. Khan (2009) established that cash budgeting has no significant relationship with the success of project implementation.

It is apparent from the aforesaid studies that the role of cash budgeting as a financial planning practice on performance of projects is not clear as there are conflicting results. The contradictions therefore call for specific studies that could yield results specific to the affected areas since the projects are established among individuals with different cultural orientations.

The existences of efficient financial planning practices make a substantial difference between the success and failure of a project (Kimani, 2013). It is of particular importance to the managers of Constituency Development Fund (CDF) funded projects, who take the aspects of project finance management. As established by Padachi (2006), who studied trends in working capital management and its effect on firm performance using 53 Mauritian small manufacturing firms, efficient fund management practices are vital for the success and survival of enterprises, which needs to be embraced to enhance performance and contribution to economic growth. Studies on cash flow projection have also revealed that researchers have not agreed on the role of cash flow projection on the completion of community-based projects. A study on the effect of cash planning by Kwame (2007) in Ghana using survey research design established cash budgeting is significantly useful in planning for shortage and surplus of cash which has a positive effect on the financial performance of the firms. Kebenei (2012) using a descriptive research design studied the perceived effect of leadership on the performance of CDF with particular reference to the leaders' knowledge on financial matters. Among the variables of financial leadership that the research considered was leadership in financial planning using cash flow projection. It was established that leadership in financial planning matters was significantly related to the performance of CDF committees. In a study by Kariuki (2013) on the influence of strategy implementation on performance of CDF funded projects in Gachoka Constituency using descriptive research design, cash flow projection as a strategy was found to have a negative significant effect on performance of the

projects. Ochieng and Tubey (2013) found that there is no relationship between cash flow projection and performance of CDF funded projects in Ainamoi Constituency in a study on factors that influence management of CDF using a descriptive research design.

From the review therefore, it can be inferred that the role of cash flow projection on the performance of CDF funded projects has received results which are contradictory with some authors finding that cash flow projection has a positive significant relationship with performance of projects (Kwame, (2007); Kebenei, (2012). Kariuki (2013) found a negative relationship while Ochieng and Tubey (2013) found no relationship. The differences in the results may arise due to methodological difference. While Kwame (2007) uses survey research design, Kebenei (2012), Kariuki (2013) and Ochieng and Tubey (2013) use descriptive research design. Survey research design and descriptive research designs are limited in terms of explaining relationships between variable. The magnitude of influence of the practices on performance could not be established. Researchers should therefore treat findings from such descriptive studies with a lot of caution.

The reviewed studies on the relationship between cash flow projection and performance of CDF indicate different results on the relationships. However, the review indicates a possibility of cash flow projection influencing performance of firms and funds. Of the reviewed studies however, no study determines the influence of cash flow projection on performance of CDF-funded projects in Ndhiwa Constituency indicating that the influence of cash flow projection on performance of CDF-funded projects in Ndhiwa Constituency is unknown.

Capital budgeting basically relates to the selection of the projects that are to be carried out (Pandey 2004). Empirical studies on cash budgeting have also elicited differing findings on the relationship between capital budgeting and performance of CDF funded projects. Gitobu (2011) carried out a research using descriptive research design on factors affecting implementation of CDF projects indicates that the relationship is positive while Wanyama (2009) using a descriptive research design found that there is no relationship between the two variables. Orero (2013) found that the relationship is negative and significant.

The review of studies on the relationship between cash budgeting and performance of projects indicates differing results. However, the studies have been conducted using descriptive research design indicating that relationships could not be established. Despite the

mixed results, no study had been carried out to evaluate the influence of capital budgeting in the performance of CDF-funded projects in Ndhiwa Constituency indicating that the influence of capital budgeting in the performance of CDF-funded projects in Ndhiwa Constituency has not been established.

Performance standards give a benchmark indicator of good performance, thereby helping in setting up performance rating systems for public organizations. Public institutions already have performance standards which are spelt out in policy documents. This is because without a commonly accepted and implemented set of performance standards, it becomes fairly difficult to gauge the financial standing and performance of a public organization and make informed decisions on their quality as financial intermediaries, (Wanyama, 2009). Performance standards are important because they supplement prudential regulation and they can be a good guide for prudent behavior. They can, however, only go so far since their utility may be limited by the fact that adherence to a set of performance standards may be difficult to achieve without an external disciplining body, (Paul and Anantharaman 2003).

For public organizations, performance measures have been identified to be efficiency and accountability in management of public finances. In respect of projects, performance is measured by completion of the intended projects to such an extent that it meets the intended purpose. The National Taxpayers Association identifies four classes of performance for CDF-funded projects; well-built completed projects which show good quality construction and which have given good value for money for taxpayers; badly built, complete and ongoing projects which shows poor quality construction and poor value for money; well built, incomplete projects representing those project not yet complete but being built in phases, so far well built; and delayed implementation - project allocated funds but the implementation has not started, (NTA, 2013).

Ndhiwa Constituency is one of the eight constituencies in Homa Bay County. The National Taxpayer's Association reports that from the financial year 2003/2004 to the financial year 2012/2013, a total of KES 320 million had been allocated to projects in the constituency, (NTA, 2013). The report further found out that during the financial year 2009/2010, out of a total 83 projects initiated, only 17 were well-built and completed, representing only 20%. The rest (80%) represented projects that were badly built and completed or well-built but incomplete or even yet, unaccounted for projects. In the same period, the total money

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unaccounted for from the CDF fund was 17% of the allocation for that year. At present, there are 65 projects that are ongoing in the constituency

The CDF is managed by the constituents themselves through their representatives in the CDF Development Committees (CDCs) (CDF Act, 2003). The Committees are required to manage the fund for the benefit of constituents. These committees write proposals suggesting projects that will benefit the constituents accompanied by the budget estimates. The projects proposals and budget estimates are analyzed. The money allocated to each project is based on the priority of the project to the community. The projects that are initiated vary with constituency needs and when completed, they are handed over to the community for maintenance and sustenance. The Act therefore requires that the management of CDF applies prudent financial planning practices in the management of the fund.

A report by Kenya Institute for Private Policy Research and Analysis, KIPPRA (2013) lists Ndhiwa constituency as one of the constituencies that have a high number of uncompleted projects. This is despite the fact that the project committees are applying financial planning practices. Some of the reasons cited for this state include poor management by the project management committees, lack of monitoring by the community and political interferences in the affairs of the Fund. The report however did not indicate the role of financial planning practices on the performance of the Fund in terms of completion of projects.

1.2 Statement of the Problem

The government of Kenya has invested heavily in the CDF funded projects since the projects are a key pillar for economic investment as outlined in Kenya's Vision 2030. In Ndhiwa constituency, a total of KES 320 million has been allocated to projects in the constituency from the financial year 2003/2004 to the financial year 2012/2013. Despite this huge allocation, out of a total 83 projects initiated, only 17 were well-built and completed, representing only 20%. Reviewed studies indicate that financial planning practices may influence performance of funded projects. However, specific studies on the relationship between cash budgeting and performance of Ndhiwa CDF are not available indicating that the relationship between cash budgeting and performance of Ndhiwa CDF is unknown. Prior literature indicates a possibility of cash flow projection influencing performance of firms and funds. However, no known study has been conducted to study the influence of cash flow projection on performance of CDF-funded projects in Ndhiwa Constituency indicating that the influence of cash flow projection on performance of CDF-funded projects in Ndhiwa

Constituency is unknown. Studies on the relationship between capital budgeting and performance of projects indicates differing results with no known study carried out to evaluate the influence of capital budgeting in the completion of CDF-funded projects in Ndhiwa Constituency. Based on the gaps revealed that relate to financial planning practices in Ndhiwa Constituency, the purpose of the present study was to establish the relationship between financial planning practices and performance of CDF funded projects in Ndhiwa constituency.

1.3 Objectives of the study

1.3.1 General objective

The main objective of this study was to establish the relationship between financial planning practices and performance of Constituency Development Fund funded projects in Ndhiwa constituency.

1.3.2 Specific Objectives

Specifically, this study sought to:

(i) Determine the role of cash budgeting in the performance of CDF-funded projects in Ndhiwa Constituency,

(ii) Establish the relationship between cash flow projection and performance of CDF-funded projects in Ndhiwa Constituency.

(iii) Evaluate the influence of capital budgeting in the performance of CDF-funded projects in Ndhiwa Constituency.

1.4 Research Hypotheses

H_{01}: Cash budgeting has no role in the performance of CDF-funded projects in Ndhiwa Constituency.

H_{02}: Cash flow projection has no influence on performance of CDF-funded projects in Ndhiwa Constituency.

H_{03}: Capital budgeting has no influence in the completion of CDF-funded projects in Ndhiwa Constituency.

1.5 The scope the study

The purpose of the present study was to establish the relationship between financial planning practices and performance of Constituency Development Funded projects in Ndhiwa

constituency. The subject scope of the study is in the field of finance and in the sub-field of financial planning. The study was limited to the CDF projects committees within Ndhiwa constituency. The area was chosen because it has a high percentage of CDF projects that have not been completed and because of the researcher's familiarity with the area which made data collection easier. The study was carried out between the month of May and September, 2015.

1.6 Justification of the Study

Findings from the present study are expected to be beneficial to the central government particularly the ministries of planning and devolution, in determining whether the CDF funded projects have helped in the development of the ordinary Kenyan in the infrastructural development and provision of services. The study acts as a benchmark to help in establishing whether the national resources are efficiently managed through decentralization to the County, Constituency, village levels or when centralized at the national level. The findings are also likely to benefit the County governments, CDF national management committee and the constituents in finding out whether the CDF project funds are sufficient in meeting the needs of the set projects in the constituency. Constituents are also likely to benefit from findings of this study in making the right choice of the CDF funded projects according to their priorities and funds available from central government. The research is also likely to benefit the project managers in the practices of fund management. The findings will also form a basis for further research

1.7 Conceptual Framework

The research adopted the conceptual framework in Figure 1 below from the work of Hossain (2008) who carried out a research on participatory development in Bangladesh and how it influences performance of projects. In the research by Hossain, the dependent variable was participatory community development in which variables were changed in the present study to financial planning practices. In this research was the CDF fund performance which was measured by completion of projects. It was hypothesized that the financial planning practices of cash budgeting, cash flow projection and capital budgeting significantly influence performance of the CDF funded projects through careful planning. It therefore implies that with more prudent financial planning practice that are closely monitored, the better the performance of the firm.

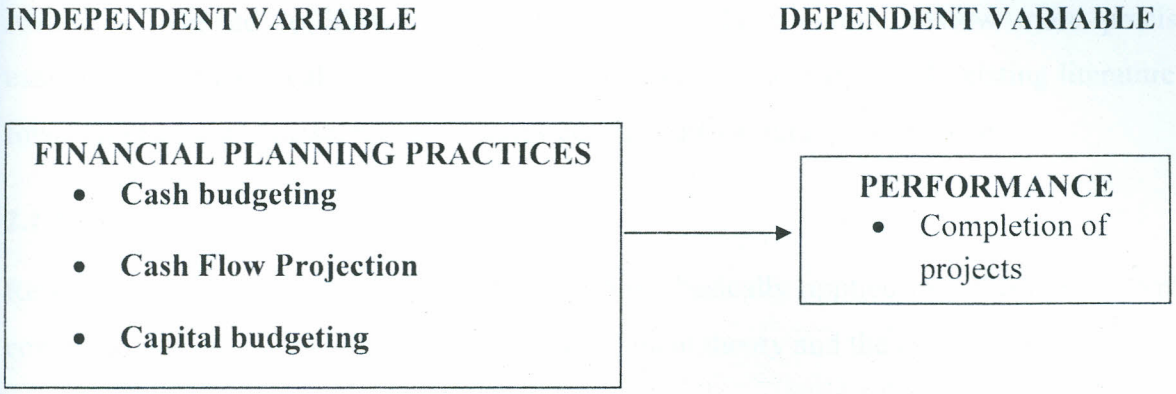

Figure 1: Relationship between Financial Planning and Performance of CDF
Source: Hossain (2008)

CHAPTER TWO: LITERATURE REVIEW

This chapter reviews the theoretical and empirical literature on the key study variables. This review is intended to identify the research gap. The literature review more precisely examined the theoretical basis upon which the research was based and existing literature on financial planning. The section also reviewed literature on fund performance.

2.1 Theoretical Perspectives

Researchers studying devolved development have basically applied two theories to explain community development; the traditional development theory and the agency theory.

2.2.1 The Traditional Development Theory

This theory, which was proposed by Cohen and Uphoff (1980), holds that development is primarily a function of capital investment and that the only way of overcoming rural poverty is not simply a matter of more investment, more aid or more technology, but involving the masses in development. Poverty will persist until development reaches and benefits the world's underprivileged, undernourished and under-educated rural people. The theory posits that the rural poor must be given the opportunity to participate in development (Cohen and Uphoff 1980). The theory was based on the fact that more and more economists challenged the prevailing view that capital was the prime mover in development. Accordingly, in this theoretical and practical context, people's participation becomes important to the same extent as it was peripheral when capital formation was considered as the primary factor.

According to a World Bank report on participatory operations (World Bank, 2000), which also based its research on the theory, economic growth is essential to poverty reduction. However, development requires more than just a focus on macroeconomic and financial issues. Experience shows that looking at both sides-macroeconomic and financial aspects on the one side and structural, social and human considerations on the other is essential to adequately support a community's future development. Thus, to provide the opportunity to local and poor people to participate in development is the only solution for overcoming rural poverty and securing sustainable development.

According to Saxena (2008), the traditional development theory asserts that people's participation can contribute to the achievement of four main objectives: efficiency; effectiveness; empowerment; and equity. Experience has shown that participation improves the quality, effectiveness and sustainability of development actions. By placing people at the

center of such actions, development efforts have a much greater potential to empower and to lead to ownership of the results. The phenomenon of participatory or bottom-up development has become very popular, interesting and attractive in the context of urban and regional development and has recently become virtually indispensable in the discussion on development. Since CDF as a form of devolved development which encourages community development by people participation, this research was partly anchored on this theory. This theory is linked to the dependent variable of this study which is performance of the CDF funded projects through community participation which is very key.

2.2.1 The Agency Theory

This theory was proposed by Jensen and Meckling (1976). According to Henry (2009), the Agency theory provides the connection between financial planning practices and corporate governance where such governance mechanism is employed as a control to reduce the agency problem arising from the separation between ownership and management. The Agency problem exists when the principal and agent have different interests. The self-interest of the management (agent) can compromise the best interest of investors (Fama and Meckling, 1983). The agency theory provides a framework for linking financial planning practices to corporate governance by considering both as drivers of accountability. Sound governance mechanisms reduces the possibility that management will try to further their interests by using information irregularities and asymmetry .Such mechanisms could also trigger managers to disclose more information.

Jensen and Meckling (1976) define agency relationship as a contract under which one or more persons engage another person (agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. In this contract, the agent is expected to perform his duty to the benefit of the principals or the owners of the company. However, it is impossible for the principals to ensure the agent will act on their behalf since separation between ownership and control the management as in companies creates agency conflicts (Jensen and Meckling, 1976). The behaviour of the agent, most probably, will be if he or she is the owner of the company.

Effective corporate governance mechanisms such as the quality of external audit, managerial ownership, block ownership and audit committee may significantly reduce the agency costs. This study focuses on ownership structure that forms an important part of corporate governance mechanism. While organizations with good governance would focus their

attention towards activities that can increase value creation such as investing more in training existing as well as acquiring new experts, improving process, procedures, and work culture and put more effort that would enhance their external relationships with stakeholders. These efforts would make the companies more efficient and increase their overall performance. Since CDF uses management committees which are chosen by the constituents, there is a, agent-master relationship between the PMC members and the constituents. This makes the agency theory relevant in the study. This study was thus anchored on the agency theory to examine the possible link between financial planning practices, (the independent variables) by the PMCs as corporate governance mechanisms on one side and the traditional development theory which emphasizes community involvement (i.e the dependent variable) in the performance of the CDF funded projects on the other side.

2.2 Empirical Literature Review

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2.2.1 Cash budgeting

Mwangi (2013) studied the effect of fund management practices including cash budgeting on the financial performance of CDF funded water projects in Molo constituency. The study used cross-sectional survey research design using data obtained from the CDF funded project managers. Data which was analyzed using Correlation and regression analysis revealed that there was a strong positive relationship between fund management practices of receivables management, inventory management and cash management and financial performance of the Fund while there was no significant relationship between cash budgeting and performance. The variability of financial performance attributed to changes in efficiency of fund management practices was 80.6%. This had a general implication that efficient fund management practices have a positive effect on the financial performance of CDF funded projects in Kenya and therefore the practices should be embraced as a policy recommendation. Since the study covered only water projects, there are concerns whether the fund management practices have a role in the performance of non-water funded projects which was included in the present study.

In a study on selected factors influencing effective implementation of CDF projects in Kimilili Constituency by Kibebe and Mwirigi (2013), it was found out that there was a significant relationship between managerial factors, and social factors and implementation of CDF projects. One of the attributes of managerial performance that was studied was their ability to budget for the projects. The study which was conducted in Kimilili Constituency in

Bungoma County using a survey research design where it targeted 140 households investigated on the selected factors influencing effective implementation of CDF developed projects. The study assessed the managerial and social factors that affect effective implementation of the projects. The study also found that skills and experience of the project management committee influences implementation of CDF initiated projects in the study area. Project management committee were found to be responsible in steering and controlling the activities of implementation team and ensures that all the projects that were initiated by their organization are successful. However, lack of the skills and experience in such areas as cash budgeting was found to cause poor implementation thus, stalling of the projects or lack of sustainability and support from the beneficiaries who are the residents. Since the study was not specific in methodology on the role of cash budgeting, it still raises concerns as to the role of cash budgeting in performance of the CDF projects.

Hossain (2008) carried out a research on participatory development in Bangladesh. His study was aimed at finding factors influencing participatory development in areas such as cash budgeting. The study which studied 25 community-based projects which were government-funded using a cross-sectional approach established that poor decision making during cash budgeting was a great challenge to the implementation of the initiated projects in the study area. Finding from the research indicated that decision making only involved the experts, professionals and the management. This study also indicated that the residents who are the beneficiary of the project were not involves in the cash budgeting process of the projects. Regression results revealed that cash budgeting has a negative significant relationship with performance of community-based projects.

Auya and Oino (2012) while studying the role of CDF in rural development in Kenya found out that the success of CDF as a rural poverty alleviation strategy is not only associated with availability of funds, but also with a myriad of factors, which include, beneficiary participation and involvement and consultative decision making among all parties involved, prioritizing needs by the locals through processes such as cash budgeting, good leadership and coherent and transparent phase-out plans. The study generally found that cash budgeting has a positive significant relationship with the performance of projects. The research concluded that rural development programs are integral in improving the lives of people in the rural settings and therefore, these programmes should be put at the top of the national agenda by the government. They should be fundamental to all national and rural policies that

mitigate underdevelopment. The paper recommended that government should consider allocating more resources particularly to infrastructure such as roads to ensure that rural areas are easily accessible by all stakeholders who want to participate in rural development. In addition, there should be independent structures at the grassroots to track the progress of development projects as well as discourage misappropriation and mismanagement of CDF funds by allowing the stakeholders to participate in cash budgeting processes.

In a study on the role of planning and cash budgeting on implementation of community CDF-funded projects by Khan (2009), it was established that cash budgeting has no significant relationship with the success of project implementation. This is because when management decide on their own without involving all the stakeholders in the planning and cash budgeting processes, the implementation process is inconvenienced by lacking support from the locals. The study, whose design was cross-sectional using a sample of 74 households, further found out that low level of awareness laden with illiteracy was identified as another key social factor influencing effective implementation. It was also established that corruption and misappropriate of funds; poor prioritization of community needs by the management committees; poor decision making, insufficient support from the community members, illiteracy and low level of awareness among community members and apathy towards the projects are the social factors influencing implementation of CDF-initiated projects in the study area.

From the literature reviewed above, it can be noted that a number of studies have been carried out on the role of cash budgeting on performance of CDF funded projects. The results indicate that the role of cash budgeting is not clear. Some scholars find a significant positive relationship between cash budgeting and the performance of projects (Kibebe and Mwirigi, (2013); Auya and Oino, (2012)); while others find a significant negative relationship (Hossain (2008)); while yet others find no relationship (Mwangi, (2003); Khan, (2001). Furthermore, these studies were not specific on the relationship between financial planning practices on performance of CDF funded projects. Small samples used may not give authoritative conclusions as well as differences in geographical locations could also influence the implementation of the various projects hence the need to carry out a specific study unique to Ndhiwa constituency.

adopted was descriptive survey and the population of interest was the 499 committee members involved in the implementation of CDF projects at different levels. The target population comprised Constituency Development Fund Committee (CDFC) members, CDF committee members at the location level and Project Management Committee (PMC) members from where a sample size of 100 respondents were selected. Data was collected using structured questionnaires. The study found out that most PMC members were aged over fifty years and had no knowledge of cash flow projection and therefore could not understand how it is done. The study concluded that cash flow projection should not be used as a strategy in implementing CDF funded projects.

Ochieng and Tubey (2013) found that there is no relationship between cash flow projection and performance of CDF funded projects in Ainamoi Constituency. The purpose of the study was to assess factors that influence management of CDF, with a focus on Ainamoi constituency in Kericho District, Rift Valley Province, Kenya. The study's objectives were to: establish the appropriateness of organization design in management of the CDF and to identify the criteria used by CDF to identify projects for funding. A survey research design was adapted and the study sampled 137 respondents, including 132 Project Management Committee (PMC), one District Development Officer (DDO), one MP and 3 members of the CDF committee. Questionnaires and interview schedule were the tools used to collect data. Analysis of data was done through coding, tabulation, assessing the means using percentage and explanations. Study results found that people who are managing CDF projects are not conversant with its management rules and were not following financial management practices. The study also established that funds allocated to CDF projects are not enough to complete the projects in one financial year.

The review of literature on flow projection in the foregoing section has indicated that the practice is not fully embraced in the management of CDF funded projects. Furthermore, the review has indicated that the role of cash flow projection on the performance of the projects has not been agreed upon by the various researchers in the area. Some researchers have found that cash flow projection has a positive significant relationship with performance of projects (Kwame, (2007); Kebenei, (2012) while Kariuki (2013) found a negative relationship and Ochieng and Tubey (2013) found no relationship. The studies used small samples and purposive random sampling techniques which renders them inconclusive.

The reviewed studies above were not specific on the relationship between financial planning practices and performance of CDF funded projects. However, the review indicates a possibility of cash flow projection influencing performance of firms and funds. Of the reviewed studies however, no study has been done to determine the relationship between cash flow projection and performance of CDF-funded projects in Ndhiwa Constituency indicating hence the need for this study.

2.2.3 Capital Budgeting

Capital budgeting basically relates to the selection of the projects that are to be carried out. Gitobu (2011) carried out a research on factors affecting implementation of CDF projects. The key purpose of the study was to highlight on project selection process, composition of the project committees, stakeholders involvement, the existing legal frameworks and governance of CDF supported projects. A descriptive survey research design was used to collect primary data in addition to the secondary data. A pre-tested questionnaire was administered to target population where 28 respondents were reached. The findings of the study indicated that although the projects were selected according to the community needs at 56%, there was need to improve on it by involving all the stakeholders and carrying out of baselines surveys. The same sentiments on project dissatisfaction were shown by 50% of respondents being unsatisfied due to incompleteness or the projects not being utilized at all. The project committees faced challenges in leadership abilities, low education levels, inadequate technical support. The study recommended capacity building of the project committee members and effective community mobilization to ensure better performance hence improved implementation of projects for sustainability. The study concluded that capital budgeting has a significant positive relationship with performance of projects.

Wanyama (2009) carried out a study on the role of CDF in the development of communities. In a descriptive survey, the study specifically sought to find out whether financing practices such as capital budgeting and cash planning have any role to play in the success of projects. Findings from this study established that there is poor prioritization of community needs by the management committees' hence poor capital budgeting practices. The study also found out that capital budgeting practice has no role in the success CDF funded projects. These in most cases arise because the committee and even the government do not bother to ask the beneficiaries on what they feel as the most wanted need. Instead, they initiate multiple projects at the same time and with limited funds and other resources, these community

projects fail to be completed. The study suggested that more research should be carried out to evaluate the influence of financial practices and performance of the CDF funded projects

Orero (2011) carried out a study on factors affecting prudent management of CDF in Kenya. The study was motivated by the concerns that although the integrated financial management system to manage the Fund was being implemented, it had not yet reached full coverage and functionality and that the Internal Control system, including commitment control in place has not been very effective. Furthermore, the new Integrated Financial Management Information System was expected to strengthen the commitment control once it is completely rolled out and implemented, but that had not happen. The researcher used descriptive research design when carrying out the study targeting 120 management committees (CDFC) and implementers of projects (PMCs) across Likoni constituency. The study found out that low technical in-put due to lack of expertise in projects management and implementation, the consisting and emerging community interests coupled by government led CDF legal legislation policies has led to poor projects formulation and implementation strategies. The study found out that politics still has a role in the management, formulation and implementation of CDF initiated projects. The study therefore recommended that there should be Staff Training program to effectively implement the CDF projects, proper dissemination of project information, community involvement in the management and evaluation of the project activities, development of elaborate strategic plans to enhance the prudent financial management of CDF funds. This study did not determine the role played by financial planning practices on the management of the Fund.

From the foregoing literature review, it can be established that there are few studies that have examined the influence of capital budgeting on CDF funded projects' performance. The studies have also elicited differing findings on the relationship between capital budgeting and performance of CDF funded projects. Gitobu (2011) indicates that the relationship is positive while Wanyama (2009) found that there is no relationship between the two variables. Orero (2013) found that the relationship is negative and significant. Despite the mixed results, it was found that no study had been carried out to evaluate the influence of capital budgeting in the completion of CDF-funded projects in Ndhiwa Constituency.

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2.3 Research Gap

The impact of devolved funds in sustainability of community development projects has been vastly focused as per scholarly work reviewed. It has been evidently revealed that the CDF fund is intended to enhance community development through creating a needs responsive approach to development. Further the concept of CDF has been highly elaborated with an indication that it brings about a reduction in regional differences in development. Though the intended purpose could otherwise be a good track towards sustainability of development projects, it is evident that the CDF in Kenya has not achieved its intended purpose. Evidently, the research fails to bring out issues relating to the role of financial planning on the performance of the CDF which has not been adequately researched on. Studies that are available on financial planning were done in commercial settings. Furthermore, specific studies on the relationship between financial planning practices and performance of CDF funded projects in Ndhiwa Constituency are missing. This study therefore sought to fill in this gap by examining the relationship between financial planning practices and the performance of the CDF.

CHAPTER THREE: RESEARCH METHODOLOGY

This section addresses the methodology that was employed in conducting the study. The chapter provides details on the research design, targeted population, sampling procedure, data collection and instruments and data analysis procedures.

3.1 Research Design

The study employed a correlational research design. According to Cooper and Schindler (2006), a correlational research design attempts to establish the relationship between research variables or their interaction. The research design is therefore suitable in this study since it helped in establishing the relationship between the financial planning practices and the performance of CDF in Ndhiwa constituency.

3.2 Study Area

This research was carried out in Ndhiwa Constituency in Homa Bay County. This is one of the eight constituencies in Homa Bay County. The constituency lies in the former Nyanza province and particularly in South Nyanza approximately 34^0 E and 0^0, 17' S. There were 65 CDF-funded projects that were on-going in the constituency (NTA, 2013) during the period of the study. The projects ranged from construction of classrooms, funding purchase of school buses, protection of springs, construction of dispensaries and roads.

3.3 Target Population

Target population refers to any clearly definable groups who are subjects of the study. This research targeted all the project committee members of the projects that were initiated in the last financial year(2013/2014). Each project management committee has on average seven members. Accordingly, there are 455 project management committee members who were targeted by this research since there are 65 projects which are on-going in the constituency.

3.4 Sampling Technique & Sample Size

Random sampling was used select the specific respondents for this study. The study applied the formula suggested by Yamane (1967) as quoted by Cooper and Schindler (2006) to determine the sample size. The formula is:

$$n = \frac{N}{\left[1 + N(e)^2\right]}$$

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$$n = \frac{455}{\left[1 + 455(0.05)^2\right]}$$

Where: n=the desired sample size

N=is the population, 455 for the present study.

e= is the level of precision set at 0.05

Applying the above formula gives the sample population of 213 project committee members. Random sampling was used to select the respondents.

3.5 Data Sources and Collection Methods

Both primary and secondary data were collected to achieve the objectives of the study. Primary data were collected from the Project Committee Members by using questionnaires with closed ended questions. Available relevant secondary data from books, journals and from the internet sources was used to supplement the primary data.

3.5.1 Data Collection Procedure

Research assistants were used to drop the self-administered questionnaires to the respondents. The research assistants were used since the area to be covered was large and some of the questions in the questionnaires were technical and needed interpretation. The questionnaires were filled as the research assistants waited and in cases where the respondents were either busy or unavailable, there were dropped and picked after one week.

3.5.2 Reliability of Research Instrument

The questionnaires were tested to ensure reliability and validity. A research instrument is reliable when it has the consistency of measurement Mugenda and Mugenda, (2003). Reliability gives the internal consistency of data collected. Creswell, (2009) notes that reliability means the findings would be consistently the same if the study were done over again by ensuring that the degree of consistency or stability is high. To achieve this, a pilot study was done in five projects that are on-going in the neighbouring Homa Bay town Constituency which has the same characteristics in terms of non-completion of projects. The test-retest coefficient was 0.8 against a threshold of 1.0 which indicated that the data collection instrument was reliable.

3.5.3 Validity of Research Instrument

Validity of the questionnaires was tested by using the Content Valid Index (CVI). To achieve this, the relevant items in relation to the research objectives in the questionnaire were divided by the total number of items, (Fisher, 2004). The validity was described as follows:

CVI = Relevant items ÷ Total number of items

Fisher (2004) indicates that for a research instrument to be valid, the CVI should be more than 0.7 against threshold of 1.0. The CVI for the present study was found to be 0.774, obtained as follows:

CVI = 24/31 = 0.774

This implies that the research instrument was valid.

3.6 Data Analysis and Presentation Techniques

Data was analyzed using descriptive and inferential statistics. Descriptively, proportions and percentages were computed. Inferentially, raw data was put into SPSS spreadsheet after which a regression was run to determine the relationship between the independent and the dependent variable. The regression equation that was used was adopted from the study by Hossain (2008). In the study by Hossain (2008), the independent variables were financial planning practices while the dependent variable was participatory development. The model was modified to fit the present study as follows:

$$\textit{Performance of } CDF_i = a_0 + a_1 CABD_i + a_2 CAFP_i + a_3 CAPB_i + \varepsilon \ldots\ldots \quad (1)$$

Where

Performance of CDF of project i was measured by the ratio of the number of good completed projects to those not completed.

a_0 is the constant term

a_1 is the slope for Cash budgeting (CABD) for project *i*

a_2 is the slope for Cash flow projection (CAFP) *i*

a_3 is the slope for Capital budgeting (CAPB) for project *i* and

ε is the error term which is assumed to be normally distributed.

The analysed data were presented in tables and charts.

CHAPTER FOUR: RESULTS AND DISCUSSION

This chapter reports study findings from the analysed data. It also presents a discussion on the findings by comparing those findings with those of prior studies on financial planning practices and performance of projects.

4.1 Presentation of Results

4.1.1 Response Rate

A total of 213 questionnaires were given to the respondents according to the research frame. Research assistants were used to deliver the questionnaires to the respondents. One hundred and seventy six (176) questionnaires were returned, representing 82.6% of the initial number that was given. This indicates that a good percentage of the questionnaires were returned which may give credibility to the findings of the study. The returned questionnaires were from chairmen (32), Secretaries (58), Treasurer (23) and members (63). This information is shown in Table 4.1 below.

Table 4.1 Category of respondents

		Frequency	Valid Percent	Cumulative Percent
Valid	Chairman	32	18.0	18.0
	Secretary	58	33.0	51.0
	Treasurer	23	13.0	64.0
	Member	63	36.0	100.0
	Total	**176**	**100.0**	

Source: Field Data, 2015

4.1.2 Age of Respondents

The research also sought to find out the age distribution of the respondents in order to assess the general average age of the respondents. The results are shown in Table 4.2 below.

Table 4.2 Age of Respondents

		Frequency	Valid Percent	Cumulative Percent
Valid	Between 20-25	4	2.3	2.3
	Between 26-35	31	17.6	19.9
	Between 36-45	70	39.7	59.6
	Above 45 years	71	40.4	100.0
	Total	**176**	**100.0**	

Source: Field Data, 2015

From Table 4.2 above, it can be revealed that majority of the PMC members are aged over 45 years (40.4%) while the least percentage is of those aged 20 years and below (2.3%). Those PMC members aged between 36 and 45 years comprise 39.7% while those aged between 26 and 35 years comprise 17.6%. These findings support those of Kariuki (2013) who noted that PMC were comprised of members aged over fifty years. This can be interpreted to mean that most of the CDF are dominated by older people who have experience of influence over the politicians who appoint them. Of the PMC who returned questionnaires, 124 (70.5%) were males while 52 (29.5%) were female. This indicates that the PMCs are dominated by males.

4.1.3 Educational Level

In order to assess the level of knowledge of the PMC members on financial planning, the respondents were asked to indicate their educational levels. The results are as shown in the Table 4.3 below.

Table 4.3 Educational Level

		Frequency	Valid Percent	Cumulative Percent
Valid	Primary	5	2.8	2.8
	Secondary	102	57.9	60.7
	Tech /Voc	9	5.2	65.9
	University	60	34.1	100.0
	Total	**176**	**100.0**	

Source: Field Data, 2015

Table 4.3 above shows that majority of the respondents (57.9%) only had secondary school level of education. This was followed by those with university education (34.1%) and those with technical and vocational education (5.2%). Only 2.8 % of the respondents indicated that they had primary education. These results confirm those of a study by Kibebe and Mwirigi (2013) who indicated that most PMC members didn't have tertiary education which limited their skills in in such areas as cash budgeting which was found to cause poor implementation thus stalling of the projects or lack of sustainability and support from the beneficiaries who are the residents.

4.1.4 Period of PMC Membership

The research also sought to establish the period of PMC members' membership. Results were found to be as shown in Table 4.4 below.

Table 4.4 Period of PMC Membership

		Frequency	Valid Percent	Cumulative Percent
Valid	Less than 1 yr	8	4.5	4.5
	1yr – 3 yrs	129	73.3	77.8
	4 yrs – 6 yrs	27	15.4	93.2
	Over 6 yrs.	12	6.8	100.0
	Total	**176**	**100.0**	

Source: Field Data, 2015

The results on length of PMC membership in Table 4.4 indicate that most (73.3%) of the PMC members had managed in the projects for a period of between one and three years. This implies that they have served in the present parliamentary period since the 2012 general elections. Those who have served for between four and six years comprised 15.4%

while those who for over six years comprised 6.8%. The least percentage (4.5%) comprised those who had served for less than one year. This indicates that most of the PMC members had a good knowledge of the projects in the area since they had been members of the PMCs for more than one year.

4.1 5 Extent of Knowledge of Financial Planning practices

To evaluate the respondents' knowledge of financial planning, the respondents were asked to indicate the level of their knowledge of the three financial planning practices on a Likert scale of; 1, Does not know, 2 Knows a little, 3 Knows moderately, 4 Knows well and 5 Knows Excellently. The results are presented in Table 4.5 below.

Table 4.5 Extent of Knowledge of Financial Planning practices

Practice	(1)	(2)	(3)	(4)	(5)	Σfi	$\Sigma wifi$	$\Sigma wifi/\Sigma fi$
Cash Budgeting	46	49	31	32	18	176	455	2.59
Cash Flow Projection	67	23	17	59	10	176	450	2.56
Capital budgeting	83	28	47	9	9	176	361	2.05
Average								**2.40**

Source: Field Data, 2015

Results in Table 4.5 confirm that most PMC members have a limited knowledge of financial planning practices as found by Kibebe and Mwirigi (2013). The study found that of the three elements of financial planning, cash budgeting was the one known widely (mean of 2.59), while capital budgeting was the least known (mean of 2.05). The average mean of 2.4 indicates that on average, PMC members know little about financial planning practices.

4.1.6 Extent of use of Financial Planning Practices in CDF Projects

The first objective of the study was to determining the role of cash budgeting in the performance of CDF-funded projects in Ndhiwa Constituency. To fulfil the objective it was important to first establish the extent of use of the cash budget, cash flow projection and capital budgeting in project management in the constituency. Results for this analysis are presented in Table 4.6.

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Table 4.6 Extent of use of Financial Planning Practices in CDF Projects

	Mean	N	Std. Dev.	Std. Error of Estimate
CABD	2.3037	176	.6076	.05410
CAFP	2.4836	176	1.0195	.06417
CAPB	1.9788	176	.9781	.09076

Source: Field Data, 2015

CABD: Cash budgeting, **CAFP:** Cash flow projection, **CAPD:** Capital budgeting

Results in Table 4.6 above confirm that the extent of use of financial planning practices is generally low. This is indicated by the low means and standard deviations for the three financial planning practices. Of the three practices, cash flow projection was the most widely used although the extent of use was low as evidenced by the low mean of 2.4836. Capital budgeting was found to be the least used at a mean of 1.9788. The standard deviations of responses for each measure of financial planning practices from their mean responses were 0.60761, 1.0195, and .9781 for cash budgeting, cash flow projection and capital budgeting respectively. Since the deviations were more than the threshold of 0.5, it then implies that there were major deviations of the individual views from their mean responses. These results confirm those of Kebenei (2012) and Wanyama (2009) who found that most CDF funded projects failed because the extent of use of financial planning practices was low.

4.2 Relationship between Financial Planning Practices and Performance of CDF

The general objective of the present study was to establish the relationship between financial planning practices and performance of CDF in Ndhiwa constituency. To achieve this objective, a regression was run with performance (PERF) being regressed against the three measures of financial planning of cash budgeting (CABD), cash flow projection (CAFP) and capital budgeting (CAPB). The relationship between CDF performance and financial planning practices was measured using the multiple linear regression equation specified by (1) with the PMC's performance being the dependent variable and financial planning practices being the independent variable. The F-test was performed at 95% to establish the significance of the model. The test was based on the null hypothesis that there exists no relationship between financial planning practices and performance of CDF projects. The

decision rule was to reject H_0 if the p-value was less than 0.05. The results are as shown in Table 4.7, 4.8 and 4.9 below.

Table 4.7: Summary of the Regression Model on the Relationship between Financial Planning Practices and Performance of CDF

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.809[a]	.654	.640	.404

a. Predictors: (Constant), CABD, CAFP, CAPB

Source: Field Data, 2015

Table 4.7 reveals that there is a high positive correlation between the dependent variable of performance and financial planning practices as indicated by the correlation coefficient of 0.809. This shows that the predicted model is a good predictor of CDF performance. It is further shown that the financial planning practices and performance of CDF funded have a strong correlation between them. This implies that with a unit application of financial planning, there is likely to be an improved performance of 0.809 the CDF as measured by completion of projects. The R square value of 0.654 indicates that the model can predict 65.4 percent of performance when financial planning practices are input into it. The remaining 34.6 percent will be predicted by other factors not input in the model. This implies that the model is a fairly good predictor of performance of CDF funded projects.

Table 4.8 ANOVA Results on the Regression Model

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	56.425	3	18.808	115.270	.000
	Residual	10.443	172	.163		
	Total	66.868	175			

a. Predictors: (Constant), CABD, CAFP, CAPB

b. Dependent Variable: PERF

Source: Field Data, 2015

From the model regression relationship in Table 4.8 above, it can be inferred that the general relationship between the variables is strong. The *p*-value of 0.00 ($p<0.05$) means that we reject the null hypothesis and accept the alternative hypothesis. Since the null hypothesis was that there is no relationship between financial planning practice and the performance of CDF funded projects in Ndhiwa constituency, we accept the alternative hypothesis and conclude that there is a significant relationship between financial planning and the performance of CDF funded projects in Ndhiwa constituency.

Table 4.9 Relationship between Financial Planning and Performance of CDF

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t-value	Sig.
1(Constant)	.569	.198			.000
CABD	.794	.180	.757	4.4111	.047
CAFP	.306	.154	.270	1.9870	.051
CAPB	.112	.106	.107	1.0566	.061

Source: Field Data, 2015

Findings in the regression coefficients table indicate that the constant in the model is 0.569. This is the level of performance that would be there without the input of the financial planning practices. The coefficient for cash budgeting was 0.794 (t-value = 4.4111) indicating that we reject the null hypothesis that there is no relationship between cash budgeting and performance of CDF projects. The coefficient is positive implying that cash budgeting has a positive significant effect on performance of projects. This means that a unit increase in cash budgeting results to an increase of 0.794 in performance of the CDF. These results support those of Kibebe and Mwirigi (2013) and Auya and Oino (2012) who found that cash budgeting has a positive significant effect on performance of projects, and contradict with those of Mwangi (2003) and Khan (2009) who found no relationship between cash budgeting and performance of projects, and Hossain (2008) who found a negative relationship between the variables. The interpretation of these findings is that there is a high failure in CDF funded projects in Ndhiwa constituency since cash budgeting is rarely used as a financial planning practice.

Cash flow projection was found to have no significant relationship with performance of CDF at 0.306 (t value = 1.9870). However, the *p* value of .051 implies that we fail to reject

the null hypothesis of there being no relationship between cash flow projection and performance of CDF funded projects in Ndhiwa constituency. It is therefore concluded that there is no significant relationship between cash flow projection and performance of CDF funded projects in Ndhiwa constituency. This means a unit increase in cash flow projection leads to an insignificant increase in performance of CDF of 0.306. This confirms what Ochieng and Tubey (2013) found in their study on the role of cash flow projection on the performance of public funded projects. On the contrary, the findings contradict those of Kwame (2002) and Kebenei (2012) who found a significant positive relationship between cash flow projection and performance of projects in the public sector. Kariuki (2013) found a negative relationship. The results generally show that the use of cash flow projection in planning for public projects may not produce desirable results. This is consistent with the way the government funds it projects; it is not possible sometimes to plan for the funds since their timing is not certain.

Capital budgeting was also found to have no significant relationship with the performance of CDF funded projects. This was indicated by the coefficient for the variable of .107 (t value = 1.0566). This means that we reject the null hypothesis of there being no significant relationship between capital budgeting and performance of CDF funded projects in Ndhiwa constituency. This implies that a unit increase in the capital budgeting leads to an insignificant increase of 0.107 in performance of CDF in Ndhiwa constituency. These findings are in concordant with those of Orero (2013) who also found that capital budgeting has no significant relationship with performance of projects in his study on factors affecting prudent management of CDF in Kenya. However, the results seem to contradict those of Gitobu (2011) and Wanyama (2009) who found that capital budgeting has no significant relationship with performance of projects. Gitobu (2011) and Wanyama (2009) however used descriptive research designs in their studies. This seems to imply that capital budgeting takes a lot of unnecessary time when applied as a financial planning practice since the more it is used, the more the incomplete the projects will be.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter reports study summary of findings by presenting a comprehensive conclusion of the study findings. It also presents a discussion on the recommendations, limitations of the study and suggestions for further research.

5.1 Summary of Findings

The main purpose of this study was to establish the relationship between financial planning practices and performance of Ndhiwa CDF. The specific objectives of the study were to establish the role of cash budgeting process in the performance of CDF-funded projects in Ndhiwa Constituency; determine the relationship between cash flow projection and the performance of CDF-funded projects in Ndhiwa Constituency; and to evaluate the influence of capital budgeting on the performance of CDF-funded projects in Ndhiwa Constituency. Based on tests of hypotheses from the study, the following were the findings of the study. Generally, descriptive statistics revealed that most PMC members have a limited knowledge of financial planning practices. The study found that of the three elements of financial planning, cash budgeting was the one known most widely, while capital budgeting was the least known. It was also revealed that the extent of use of financial planning practices is generally low. Of the three practices, cash flow projection was the most widely used although the extent of use was low. Capital budgeting was found to be the least used.

Results based on the first objective which was to establish the role of cash budgeting process in the management of CDF-funded projects in Ndhiwa Constituency revealed that there is a significant positive relationship between cash budgeting and performance of CDF projects. The interpretation of these findings is that there is a high failure in CDF funded projects in Ndhiwa constituency since cash budgeting is rarely used as a financial planning practice.

Results for the second objective which was to determine the relationship between cash flow projection and the performance of CDF-funded projects in Ndhiwa Constituency was that cash flow projection has a positive insignificant relationship with performance of CDF. It is therefore concluded that there is no significant relationship between cash flow projection and performance of CDF funded projects in Ndhiwa constituency. The results generally show that the use of cash flow projection in planning for public projects may not produce desirable results. This is consistent with the way the government funds it projects; it is not possible sometimes to plan for the funds since their timing is not certain.

Findings based on the third objective which was to evaluate the influence of capital budgeting on the performance of CDF-funded projects in Ndhiwa Constituency revealed that capital budgeting has found no significant influence on the performance of CDF funded projects. This seems to imply that capital budgeting takes a lot of unnecessary time when applied as a financial planning practice since it seems to have a negative relationship with performance of CDF funded projects.

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5.2 Conclusions

Based on the findings of the study outlined above, the study has the following conclusions. The PMC members have a limited knowledge of financial planning practices. This may be the reason why there are so many failures of CDF funded projects in Ndhiwa constituency since knowledge of financial planning has been found to increase performance. Furthermore, the extent of use of the financial planning practices was low indicating that most PMCs don't apply them when planning for the project implementation. This could be another reason for the failure in most of the projects.

The finding that there is a significant positive relationship between cash budgeting and performance of CDF funded projects implies that cash budgeting should be applied more in CDF funded projects. This variable was found to have a positive significance implying that there is likely to be more completion of CDF funded projects when cash budgeting is mainly used as a cash planning practice.

The finding that cash flow projection was found to have a positive insignificant relationship with performance of CDF funded projects implies that although cash flow projection may have a positive influence on the performance of CDF funded projects, the influence is insignificant. This may be due to the fact that it may be problematic to predict cash flows from the government because of the way funds are channeled from the treasury to the constituencies to finance the projects. Therefore cash flow projection should sparingly be used as a financial planning practice in the implementation of CDF funded projects.

Capital budgeting should be used sparingly as a financial planning practice in the implementation of CDF funded projects. This is the conclusion based on findings from the third objective. The findings indicated that cash budgeting has no significant relationship with CDF funded projects. This may be due to projects in the constituencies having a political implication on the politicians and therefore budgeting for them may not be easy.

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5.3 Recommendations

Based on the findings and conclusions above, the study makes several recommendations. First, the PMC members should be sensitized on the need to embrace financial planning practices by going for trainings. This is because knowledge on financial planning was found to be low among the PMC members. Of the three financial planning practices, the trainings should be more focused on cash budgeting since it is the one that the PMC members know most, although the knowledge is low.

Second, the PMCs should apply financial planning practices more intensely in the implementation of CDF funded projects. This is due to the finding that the financial planning practices contribute a great percentage of the project completion in the projects. Furthermore, the extent of use of the practices was low which may contribute to high project failure. The concerned parties should therefore embrace financial planning practices.

Third, of the three financial planning practices, cash budgeting should be given the greatest emphasis in project implementation since it is the practice that influences project completion most. Capital budgeting should not be used as a financial planning practice in CDF funded projects since it produces negative results.

5.4 Limitations of the Study

This research was limited by several factors. Firstly, the financial planning practices that were used were only three; cash budgeting, cash flow projection and capital budgeting. This was due to convenience and design of the study. This implies that the influence of other financial planning practices was not brought out in the study. Secondly, the research was based on a limited sample composed of a single constituency. This may have limited the data since there may have been geographical and cultural limitations. Thirdly, the use of correlational research design may not have brought out the influence of the financial planning practices over time.

5.5 Suggestions for Further Research

Based on the limitations of the study, the present research proposes the following areas for further research; A study be carried out comparing the financial planning practices across several constituencies and how they affect performance of the CDF funded projects; a study be carried out using panel data to establish the influence of the financial planning practices

on CDF funded projects over time; a study be carried out comprising of more financial planning practices and their influence on the performance of CDF funded projects.

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