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ABSTRACT

The main objective of this research project was to study the influence financial planning practices on the financial performance of Private Health Facilities in Homa Bay County, Kenya. The researcher used budgeting, agency and stewardship theories to explain the independent variables. This study adopted a descriptive survey design. The target population comprised of 59 private health facilities with a sample size of 118 respondents. The study used purposive non-probability sampling technique. This study used primary (questionnaires) data. Data cleaning, coding and keying into the statistical package for social science (SPSS) software was then done. The data was analyzed using descriptive statistics such as graphs, tables, frequencies and mean, and inferential statistics such as regression and analysis of variance. Using Pearson correlation coefficient, the findings established a direct and positive relationship between Performance of Private Health Facilities and independent variables; budgeting practice, investment practice, inventory management and cash management. Further inference using multiple linear regressions showed a significant proportionate contribution of financial planning towards Performance of Private Health Facilities. This study observed that budgeting practice showed the greatest positive significant predictive power on Performance of Private Health Facilities in Nairobi County while investment practice had least positive significant predictive power. The study concluded that financial planning practices significantly contributed to the financial performance of Private Health Facilities in Homa Bay County, Kenya. In this regard, the study recommended that the management of private health facilities should focus on improving budget implementation procedures to ensure consistency and effectiveness. The study recommended that there is crucial need for management of each private health facility to develop a comprehensive investment strategy aligned with the facility's growth objectives and financial capabilities. Lastly, there is need to strengthen internal controls and oversight mechanisms to ensure compliance with accounting principles and budgetary guidelines.

Key Words: *Budgeting Practice, Investment, Financial Planning, Financial Performance, Health Facilities*

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INTRODUCTION

Planning means what a firm would like to happen in the future, and includes necessary action plans for realizing the predetermined intentions. Financial planning is the process of estimating the capital required by a firm and determining its composition. As such, it involves the framing of financial policies in relation to procurement, investment and administration of the funds of an enterprise (Amaraveni & Susruth, 2021). It is a process of identifying a firm's investments and financing needs, given its growth objective. Since a firm secures whatever capital it needs and employs it in activities which are expected to generate returns on invested capital, financial planning enables the firm to analyze its financial flows as a whole, forecast the consequences of various investment, financing and dividend decisions and weighting the effects of various alternatives. It is therefore crucial to the success of any organization and forms the basis of a workable business plan that is measurable and achievable within a period of time (Moghimi & Anvari, 2014). The financial planning process issues out into a financial plan, which is a tool of action that endeavours to align business results with the corporate strategy of the concern and has significant impact on the firm's financial performance.

Financial performance is the process of measuring the results of a firm's policies and operations in monetary terms. As such, it is used to measure the firm's overall financial health over a given period of time (Metcalf & Titard, 2016). Financial performance therefore refers to the extent to which financial objectives of the firm will be met or have been met. The financial performance of both public and privately held firms can be measured in terms of profitability, return on sales and market share. Profitability denotes how a firm makes gains from factors of production such as labour and capital. Its analysis relates revenues with expenses to ascertain cumulative profits as compared to the firm's investment volume. Profitability can be determined by metrics such as ROA and ROE (Anton & Nucu, 2021).

Financial planning is a vital tool of action in deciding to deploy the necessary financial resources to their respective economic uses as guided by appropriate financial policies of the firm in order to meet the set targets or goals. The subject of financial planning in relation to financial performance has received considerable treatment by different researchers globally. In the United States of America, Nancy (2010) carried out a case study on strategic financial planning in health service organizations and established that financial planning is the best way for such health organizations to ensure long term financial performance, which can be achieved through the proper coordination of budget allocations. The study concluded that, in order to be successful, hospitals and health service organizations should focus on the ability to develop sustainable financial performance over a long period of time through financial planning. This will increase their market share and competitive edge.

Ndun'gu (2018) carried out a study on the effect of financial planning practices on the financial performance of non-profit making health organizations in Kiambu County Kenya. This study concluded that there is a positive relationship between financial planning and performance, and recommended that each health facility should always plan an optimum capital structure for the organization and ensure a strong control strategy that has tight budgetary control over cash received, cash banked, cash paid and cash brought down. Oduor (2003) did a study on the effect of financial planning practices on financial performance of the local commercial banks in Kenya, analyzing the manner in which financial strategies have impacted the high financial performance of such banks. Mohammed (2008) determined the importance of financial planning in micro finance firms in Kenya. The study addressed the need for such firms to apply financial planning in the management of their resources to enhance efficiency and minimize costs. All these past studies established that financial

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planning has a positive relationship with financial performance.

The private health sector provides significant support in the health care service provision in Kenya. It has bridged the resource gap for health care expansion by cultivating efficiency and competition while supplementing public health segment facilities. The private health facilities imply those facilities which are not owned by the government; they include faith based and non-faith based health facilities. They are owned by individuals' private practice and faith based organizations, for profit making while others are non-profit organizations which are meant to help the community by working on a charitable status. These health facilities get their funds from patients who pay cash, funds from insurance companies, government through National Health Insurance Funds program and from foreign investors (MOH, 2018).

There are 59 registered private health facilities in Homa Bay County (Homa Bay County Health Records, 2022). Homa Bay County has witnessed increased number of private health facilities over the last 10 years to provide supplementary healthcare to constituents. This has been occasioned by the fact that public health facilities in Homa Bay County have persistently recorded shortage of drugs, laboratory reagents, inadequate health workers and healthcare workers picketing in demand for improved terms of service. Further, Homa Bay County population experience high poverty index and low per capita income. (Opon, 2016).

Statement of the Problem

Health provision is a key segment in the Kenyan economy as articulated in the Vision 2030 blueprint and the Kenya universal health coverage policy of 2018. There is need for more investment and improvement in the health sector in order to be able to achieve the articulated objectives over a period of time (MOH, 2018). With the government financing only 60% of hospital activities according to the 2019 Human development report, there is inevitably a certain level of underfunding in the health sector. This gap has been bridged by the private healthcare facilities. They finance their operations through NGOs, individual investors, insurers and patient fees (Dutta, Maina, Ginivan and Koseki, 2018).

Like any business entity, private health facilities should break-even so as to remain financially sound to pursue their objectives, as well as give good returns to the providers of capital. However, as an economic concern, most private health facilities in Homa Bay County have increased pressures on their profitability, growth and sustainability due to increased cost of operations, competition, patient dissatisfaction/turnover and donor fatigue (Aoko, 2022). There is need therefore to adopt proper financial planning practices to enable the private health facilities to assess the financial resources that they require to implement their programs and activities spelt out in the corporate strategies, to ensure funding is available as and when needed, and to monitor the efficient use of resources for improved performance.

Therefore, a study on the influence of financial planning practices on the performance of private health facilities in Homa Bay County was worth it. Past studies on the relationship between financial planning practices and financial performance have concentrated on other sectors of the economy with few focusing on the health sector. Mwaura (2013) researched on the effect of financial planning on the financial performance of automobile firms in Kenya; while studying the same relationship, Atieno (2013) focused on small and medium enterprises in Nairobi City Centre Kenya, Mutune (2014) considered cement manufacturing firms in Kenya, while Ndung'u (2018) focused on non-profit making health organizations in Kiambu County Kenya. The results of these studies depicted a positive relationship between financial planning practices and financial performance. From reviewed literature, little study has been based in Homa Bay County, Kenya. Hence, the study sought to fill in the contextual and conceptual gap by investigating the

influence of financial planning practices on the performance of private health facilities in Homa Bay County, Kenya.

Objectives of the Study

The main objective was to study the influence of financial planning practices on the performance of Private Health Facilities in Homa Bay County, Kenya. The study focused on the following specific objectives:

- To establish out the influence of budgeting practice on the performance of Private Health Facilities in Homa Bay County, Kenya.
- To determine the influence of investment practice on the performance of Private Health Facilities in Homa Bay County, Kenya.
- To establish the influence of inventory management on the performance of Private Health Facilities in Homa Bay County, Kenya.
- To determine the influence of cash management practice on the performance of Private Health Facilities in Homa Bay County, Kenya.

LITERATURE REVIEW

Theoretical Literature

Agency Theory

The Agency theory, developed by Jensen and Meckling (1976), is mainly based on the concept of the principal-agent relationship in which one party (the principal) delegates work to another (the agent), who performs that work on his behalf (Eisenhardt, 1989). The principal therefore delegates economic functions and assets in their control to the agent who is expected to operate them on behalf of the principal (Marwan, Moeljadi, Ananda & Djazuli, 2017). The agency theory postulates that the day to day running of a business enterprise is carried out by managers as agents who have been engaged by the owners of the business as principals, who are also known as shareholders. As such, the under-lying premise of this theory is that those individuals (mangers of health facilities) who are tasked with the responsibility of representing the shareholders (owners) should ultimately commit the corporate resources to value maximization for those they represent. The agents are therefore expected to exercise due diligence and care in making corporate decisions and ensure the interests of the principal are safeguarded (Kingi & Ibrahim, 2019).

However, this relationship is often times breached due to information asymmetry between the principal and agent (Marwan *et al.,* 2017). This causes conflict of interests whereby the agent takes actions and makes decisions aimed at self-benefits without considering the impact of such actions and decisions on the principal's interests. According to Matthews and Scott (2008), the agency theory provides useful knowledge in financial decisions in health facilities. It also brings out considerable arguments on how financial managers of health facilities should relate well with the owners of the business to serve the interests of all stakeholders in a firm.

Theory of Budgeting

The theory of budgeting was a proposition of Lewis in 1952. According to Lewis, analysts should place their focus on increments of public expenditure, at the margin, since this is the point at which an additional expenditure or any purpose would yield the same return. The relative value of these increments can then be assessed in terms of their relative effectiveness in achieving a common objective. It is the task of financial planners to determine this common objective and assess the relative effectiveness of alternative applications of expenditure in achieving this goal. Those concerned with budgeting can thus assist decision makers by presenting alternative proposals at varying levels of expenditure for each programme. This will reveal the trade-offs between alternative applications of additional funding (Lewis, 1952).

This theory was considered relevant to the study since it informed one of the independent variables: budgeting. A budget enables a firm to create a spending plan for its funds and ensures the firm has sufficient money for its prioritized needs. Thus a

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budget, as a financial blueprint, is a plan of action that puts a firm on the road map towards achieving its objectives. Since financial management is in many ways an integral part of the jobs of managers who are involved in planning, allocation of resources, and control, the budgeting theory implores them to ensure they do proper financial planning and draw budget lines that are consistent with the objectives of the concern (Chandra, 2005).

Stewardship Theory

The stewardship theory views managers as stewards. They are assumed to work efficiently and honestly in the best interests of the firm and owners. In this theory, managers are goal-oriented and self-motivated (Kingi & Ibrahim, 2019). This theory was deemed relevant for this study since it informed the independent variables – inventory management and cash management practice – it advocates for a zealous safeguarding of the inventories and cash of the firm as a way of maintaining optimal levels of inventory and adequate control over cash position to keep the firm sufficiently liquid and to use excess cash in some profitable way.

Conceptual Framework

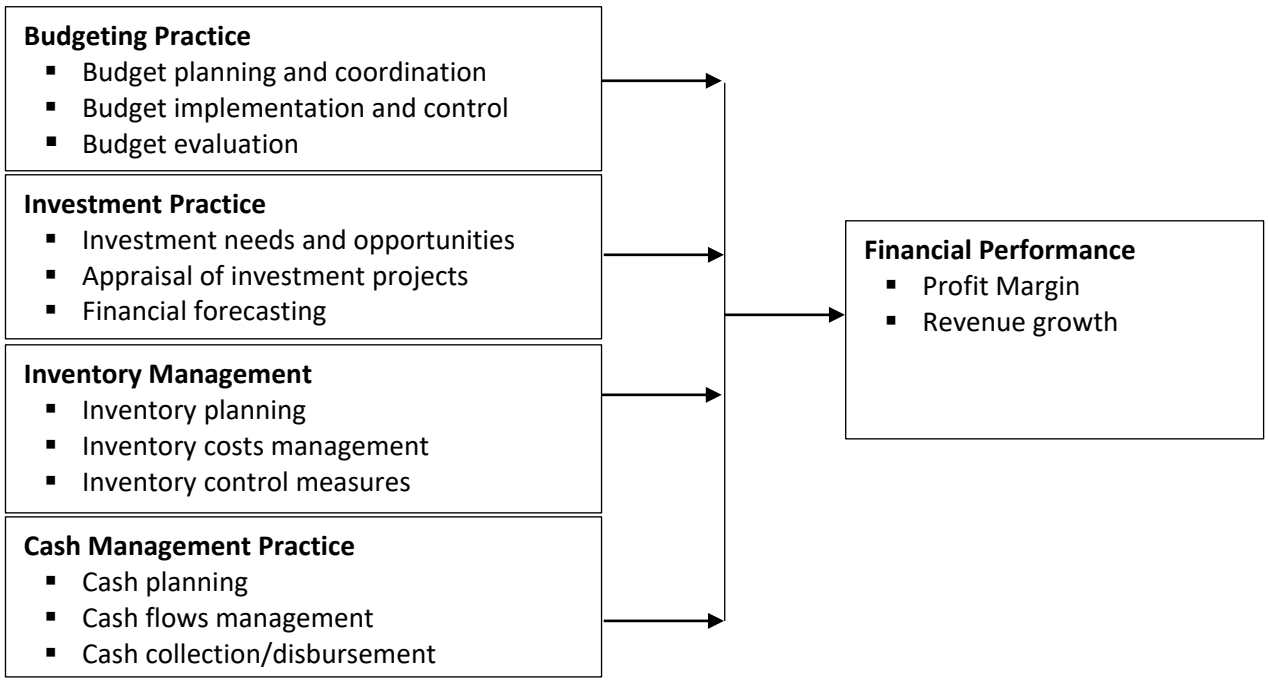

Figure 1: Conceptual Framework

Empirical Review

Every firm engaged in business must have some objective or goal to achieve through its activities and business interactions. And as such, it has to work within a certain plan of action that gives direction and focus to its operations. Such plan of action is referred to as a budget, which is a plan of what a business expects to accomplish as per the targets established. It is a detailed estimate (forecast) of future transactions which are expected in terms of physical quantities, money or both. That means, a budget is a quantified statement for a definite period of time, which may include planned revenues, expenses, assets, liabilities and cash flows. The essence of a budget is that it is a target set for management and all departments to keep within, achieve or surpass. It facilitates planning and coordination of the activities of the organization, and assists in identifying the arears of efficiency and inefficiency (Ndung'u, 2018).

Budgeting is a function of financial planning. Financial planning takes into account and adapts the broad objectives, strategies and other plans of an organization into financial terms (Hilton and Gordon, 2008). This is better achieved through the budgeting process because the best practice for planning and executing projects is the use of a budget as a benchmark for improving the project in relation to other industries (Tonnquist, 2010). Budgeting allows a public administrator, and in this case of a private health facility, to plan well, make proper choices, and decide on the mission and direction of an organization (Rosilyn, 2007). According to a study conducted by Silva (2012), which was undertaken in order to evaluate the impact of budgetary process on the financial performance of apparel industry in Sri Lanka using variables such as planning, coordination, control, communication and evaluation, it was established that budgetary process has significant association with the financial performance of apparel industry in Sri Lanka. This was based on Return on Assets (ROA), as measured from the financial statements. Further, a study on the effect of budgets on financial performance of manufacturing companies in Nairobi County by Onduso (2013) revealed that, financial performance as measured by ROA is strongly influenced by the use of budgets and managerial performance.

Every health facility has invested its funds in a number of assets –fixed and current– depending on the level and magnitude of medical services offered by it. In finance terms, investment decision revolves around capital budgeting decisions. The investment decision is an important and vital decision in the creation of value by a firm. It begins with a determination of the total amount of assets needed to be held by the firm (Van Horne & Wachowicz, 2008). Capital investment refers to the funds invested in a firm or enterprise for the purposes of furthering its business objectives. It can also refer to a firm's acquisition of capital assets or fixed assets such as machinery that is expected to be productive over many years. One duty of a financial manager is to choose investments with satisfactory cash flows and rates of return.

Therefore, the use of investment appraisal techniques should be employed appropriately. Investment appraisal techniques are those procedures used by financial managers to evaluate the viability of capital investment projects in view of establishing their overall profitability. They include: non-discounting techniques and discounting techniques (Pandey, 2015).

These are appraisal techniques which do not explicitly consider the time value of money. They include:

- **Accounting rate of return (ARR)**: this method uses accounting profits from financial statements to assess the viability of investment proposal by dividing the average income after tax by average investment. Its formula is

ARR = $\frac{\boldsymbol{Average\ income}}{\boldsymbol{Average\ investment}} \times \mathbf{100\%}$ ***or***

$$\frac{\boldsymbol{Average\ income - Average\ depreciation}}{\boldsymbol{initial\ investment}} \times \mathbf{100\%}$$

The acceptance rule of ARR is: accept those projects whose ARR is higher than that set by management or bank rate, and give highest ranking to ventures with highest ARR and vice versa.

- **Payback Period**: this is the period of time or duration it will take an investment venture to generate sufficient cash inflows to pay back the cost of such investment. That is, the time it will take to recoup in form of cash from operations the original cost of the venture. It is computed as follows;

Under uniform annual incremental cash flows;

PBP = $\frac{Initial\ cost\ of\ investment}{Annual\ cash\ flows}$

Under non-uniform cash flows;

PBP = Annual returns up to the nearest cost (yrs) + $\frac{part\ of\ cost\ outstanding}{total\ return\ for\ that\ year} \times$ 12 months

The acceptance rule of Payback period is: accept all those ventures whose payback period is less than

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that set by the management or those paying back before the term of the loan.

These are the methods which take into account both the overall profitability of projects and also the time value of money. They include:

Net Present Value (NPV): The method discounts cash inflows and outflows and ascertains the net present value by deducting discounted outflows from discounted inflows to obtain net present cash inflows. The discounting factor is a rate acceptable to the management or equal to the cost of capital.
NPV = Present value of cash inflows – present value of cash outflows
Its acceptance rule is: accept the venture if net present value is positive, and in case of mutually exclusive projects, accept those with highest NPV.

Internal Rate of Return (IRR): This method is a discounted cash flow technique which uses the principle of NPV. It is defined as the rate which equates the present value of cash inflows of an investment to the initial capital. IRR can be computed in two ways: using trial and error method or the interpolation and extrapolation method.
Acceptance rule: accept a venture if its IRR is higher than or equal to the minimum required rate of return which is usually the cost of finance.

Profitability Index (PI): It is also known as *profit investment ratio*. It is the ratio of payoff to investment of a proposed project.

$$\text{Profitability Index (PI)} = \frac{Present\ value\ of\ cash\ inflows}{Initial\ cash\ outlay}$$

The acceptance rule is: accept if PI>1 and reject if PI<1.

According to a study by Santoso (2019) on the impact of investment decision and funding on financial performance and firm value of consumer goods sub-sector companies listed in the Indonesia Stock Exchange in the period 2010 to 2017, it was observed that the right investment decisions and choice of funding sources are important because they affect the company's financial performance, since they result in optimal returns for the organization. Financial performance was measured by return on investment.

Inventory management is understood as the system employed by a firm to plan and control its investment in inventory. It involves the recording and monitoring of stock level, forecasting future demand and deciding on when and how to place orders (Stevenson, 2010; Salami, 2010) so that there are adequate quantities of high quality items available to serve customer needs, while also minimizing the costs of carrying inventory (Brigham & Ehrhard, 2015).

The aim of inventory management, thus, should be to avoid excessive and inadequate levels of inventories and maintain sufficient levels for smooth operations. In fact, efforts should be made to place an order at the right time with the right source to acquire the right quantity at the right price and quality. This can be achieved by employing the use of inventory management techniques such as Economic Order Quantity (EOQ). Bachetti *et al*. (2010) argue that EOQ enables a firm plan its inventory replenishment on a timely basis as required for continued operations. Inventory management has a significant bearing on the financial strength and competitiveness of a firm simply because it directly affects the working capital, production and customer services.

Cash is the most liquid of assets and important current asset for the operations of a business. It is the standard medium of exchange and the basis for measuring and accounting for all other items. That is, it is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. Cash consists of coins, currency, cheques held by the firm, and available funds on deposit at the bank. Negotiable instruments such as money orders and bank drafts are also viewed as cash (Pandey, 2015).

A firm holds cash for three motives, according to John Maynard Keynes: the speculative motive, the precautionary motive, and the transaction motive

(Ross *et al*, 2019). The speculative motive is the need to hold cash to invest in profit-making opportunities as and when they arise. Cash is also held to satisfy the precautionary motive, that is, to meet contingencies in the future. As such, it provides a caution or buffer to withstand some unexpected emergency. The transactions motive requires a firm to hold cash to conduct its business in the ordinary course. As such, transaction-related needs come from the normal collection and disbursement (payment of wages and salaries, trade debts, taxes, and dividends) activities of the firm (Pandey, 2015).

Financial performance refers to the degree to which the financial objectives of an organization are being or have been met, and as such, it is used to measure a firm's overall financial health over a given period of time (Mulinge & Ringera, 2017). The financial performance of health facilities is a complex concept that combines elements of efficiency and effectiveness, and describes the quality of medical acts as well as the ability to rationally manage available resources in a way that ensures patient satisfaction. One factor that plays a key role in enhancing efficiency of health facilities is related to the provision of quality services. More specifically, according to available research data, the provision of quality services, which increases patient satisfaction, has a positive effect on their revenue, so that efficiency, effectiveness, quality services, patient satisfaction and financial sustainability of health facilities are directly related. In order for a health facility to survive and achieve long-term prosperity, it must therefore meet the needs of its customers in the best way possible, achieving the best possible return on invested capital. This means proper use of the resources employed by the firm (Vlasiadis, Maisi & Patelarou, 2022).

According to Lundberg (1982), the financial performance of a firm is mainly measured by the analysis of its financial statements, which are organized collections of data according to logical and consistent accounting procedures. Their purpose is to convey an understanding of some financial aspects of the concern. A financial statement may show a position at a moment of time as in the case of a statement of financial position, or may reveal a series of activities over a given period of time, as in the case of an income statement. As Van Horne & Wachowicz (2008) put it, such financial analyses focus on four areas: working capital analysis, financial structure analysis, activity analysis and profitability analysis. This study will measure the financial performance of private health facilities in question by determining the Return on Investment (ROI) and Return on Equity (ROE).

METHODOLOGY

This study adopted a descriptive survey design. The target population of this study was the 59 private health facilities in Homa Bay County, Kenya. This study used purposive non-probability sampling technique. The researcher selected one chief financial officer/accountant and one senior manager from each health facility thereby making the total accessible population of this study to be 118 respondents. This study used primary data. A questionnaire analysis instrument was used to collect data. The questionnaires comprised closed ended questions consisting of a list of alternatives from which respondents were able to select the answer that best described the situation (Blaxter, Hughes & Tight, 2006). The questionnaires were self-administered, that is, distributed to the respondents for self-completion via drop and pick. Data was analyzed using the statistical package for social sciences (SPSS) software.

FINDINGS AND DISCUSSIONS

Descriptive Statistics

Budgeting practice

The first objective of this study was to establish out the influence of budgeting practice on the financial performance of Private Health Facilities in Homa Bay County, Kenya. To achieve this, the researcher queried the respondents about the budgeting practice in respect to performance of Private Health

Facilities in Homa Bay County, Kenya. The responses are as shown in Table 1 in which percentage are presented inside brackets while frequency outside brackets.

Table 1: Budgeting practice

Budgeting practice	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Dev.
There is prompt preparation and communication of budget plans by all departments.	27 (24)	47.2 (42)	13.5 (12)	9 (8)	3.4 (3)	3.85	1.03
There is adequate coordination of the budget by departmental heads.	32.6 (29)	52.8 (47)	1.1 (1)	10.1 (9)	3.4 (3)	4.01	1.03
The is proper budget implementation by all the departments as designed.	19.1 (17)	55.1 (49)	15.7 (14)	3.4 (3)	6.7 (6)	3.76	1.02
There exists a budget control policy to check on spending.	19.1 (17)	51.7 (46)	13.5 (12)	14.6 (13)	1.1 (1)	3.73	0.97
Budget performance evaluation reports are prepared regularly and timely presented to the budget committee.	18 (16)	60.7 (54)	7.9 (7)	10.1 (9)	3.4 (3)	3.80	0.97
Deviations from the budget targets are frequently reported to the budget committee.	9 (8)	67.4 (60)	18 (16)	2.2 (2)	3.4 (3)	3.76	0.78
Proper financial and budgeting practice has significant effect on the financial performance of the health facility.	31.5 (28)	47.2 (42)	13.5 (12)	6.7 (6)	1.1 (1)	4.01	0.91
Mean Score						**3.85**	

N=89; KEY: 1= Strongly agree; 2= Agree; 3=Neutral; 4= Disagree; 5=Strongly Disagree; M=Mean; SD= Standard Deviation.

Regarding the preparation and communication of budget plans by all departments, the majority of the respondents agreed that there is prompt preparation and communication of budget plans by all departments (47.2%). However, a significant portion of the respondents neither agreed nor disagreed with this statement (13.5%). On the coordination of the budget by departmental heads, the majority of the respondents agreed that there is adequate coordination of the budget by departmental heads (52.8%). Only a small fraction of the respondents disagreed or strongly disagreed with this statement (1.1%). This indicates that private health facilities in Homa Bay County have reasonably good coordination of the budget by departmental heads. With a mean score of 4.01, respondents generally agree that there is adequate coordination of the budget by departmental heads. The standard deviation of 1.03 suggests a moderate level of variability in responses, indicating some diversity in opinions regarding the effectiveness of this practice.

With regard to the implementation of the budget by all departments, the results were mixed. While a slight majority of the respondents agreed that there is proper budget implementation by all the departments as designed (15.7%), the largest proportion of the respondents neither agreed nor disagreed with this statement (47.2%). This suggests that there is room for improvement in the implementation of the budget by all departments. The mean score of 3.76 suggests general agreement that there is proper budget implementation by all departments as designed. However, the standard deviation of 1.02 indicates some variability in responses, suggesting differing perceptions among respondents regarding the effectiveness of this practice.

In terms of budget control policy, the results were similarly mixed. While half of the respondents agreed that there exists a budget control policy to check on spending (51.7%), a significant proportion of the respondents neither agreed nor disagreed with this statement (13.5%). This suggests that

private health facilities in Homa Bay County may need to improve their budget control policies. Respondents generally agree (mean score of 3.73) that there exists a budget control policy to check on spending. The standard deviation of 0.97 suggests a moderate level of variability in responses, indicating some diversity in opinions regarding the effectiveness of this policy.

Regarding the preparation and presentation of budget performance evaluation reports, the majority of the respondents agreed that budget performance evaluation reports are prepared regularly and timely presented to the budget committee (60.7%). However, a significant proportion of the respondents neither agreed nor disagreed with this statement (10.1%). This suggests that while some private health facilities have effective budget performance evaluation practices, others may need improvement. With a mean score of 3.80, respondents generally agree that budget performance evaluation reports are prepared regularly and timely presented to the budget committee. The standard deviation of 0.97 suggests a moderate level of variability in responses.

Lastly, with respect to the reporting of deviations from the budget targets, the majority of the respondents agreed that deviations from the budget targets are frequently reported to the budget committee (67.4%). This suggests that private health facilities in Homa Bay County have reasonably good practices for reporting deviations from the budget targets. Respondents generally agree (mean score of 3.76) that deviations from the budget targets are frequently reported to the budget committee. The low standard deviation of 0.78 suggests a relatively high level of consensus among respondents regarding the effectiveness of this practice.

Investment practice

The second objective of this study was to find out the influence of investment practice on the financial performance of Private Health Facilities in Homa Bay County, Kenya. So as to achieve this objective, the study sought to establish the degree to which investment practice affected financial performance of Private Health Facilities in Homa Bay County, Kenya. The findings are as shown in table 2 in which percentages are presented inside brackets while frequency outside brackets.

Table 2: Investment Practice

Investment practice	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Dev.
The management determines the hospital's investment needs and choices, given its growth objective and general strategy.	44.9 (40)	40.4 (36)	12.4 (11)	1.1 (1)	1.1 (1)	4.27	0.81
All investment decisions are evaluated on the basis of the project appraisal techniques for acceptability and implementation	24.7 (22)	61.8 (55)	10.1 (9)	2.2 (2)	1.1 (1)	4.07	0.74
There is forecasting of the hospital's revenues and expenses and need for funds based on its investment policies.	40.4 (36)	46.1 (41)	7.9 (7)	3.4 (3)	2.2 (2)	4.19	0.89
The management ensures the monitoring and control of expenditures in investment projects.	33.7 (30)	51.7 (46)	9 (8)	4.5 (4)	1.1 (1)	4.12	0.84
All departments have system of operation through which they channel their capital expenditure for timely and proper planning.	43.8 (39)	44.9 (40)	6.7 (6)	2.2 (2)	2.2 (2)	4.26	0.86
Investment practice has a significant bearing on the financial performance of your health facility	20.2 (18)	46.1 (41)	29.2 (26)	2.2 (2)	2.2 (2)	3.80	0.87
Mean Score						**4.07**	

N=89; KEY: 1= Strongly agree; 2= Agree; 3=Neutral; 4= Disagree; 5=Strongly disagree; M=Mean; SD= Standard Deviation.

The fact that management determines the hospital's investment needs and choices, given its growth objective and general strategy received the strongest endorsement, with 44.9% of respondents strongly agreeing and 40.4% agreeing. This suggests that hospital management plays a significant role in determining investment priorities and choices. The mean score of 4.27 indicates a high level of agreement among respondents that the management effectively determines the hospital's investment needs and choices in alignment with its growth objective and general strategy. That "all investment decisions are evaluated on the basis of the project appraisal techniques for acceptability and implementation", saw a significant agreement, with 24.7% strongly agreeing and 61.8% agreeing. This indicates that while project appraisal techniques are used, they may not be consistently applied or valued highly. With a mean score of 4.07, respondents generally agree that all investment decisions are evaluated based on project appraisal techniques for acceptability and implementation. The low standard deviation of 0.74 indicates a relatively high level of consensus among respondents regarding this statement.

That there is forecasting of the hospital's revenues and expenses and need for funds based on its investment policies received great agreement, with 40.4% strongly agreeing or agreeing. This suggests that hospital management uses investment policies to forecast revenue and expense needs, but perhaps not as extensively as could be expected. The mean score of 4.19 suggests strong agreement that there is forecasting of the hospital's revenues, expenses, and need for funds based on its investment policies. The standard deviation of 0.89 suggests a moderate level of variability in responses, indicating some diversity in opinions regarding this statement.

The management diligently ensures the monitoring and control of expenditures in investment projects received a strong agreement, with 33.7% strongly agreeing and 51.7% agreeing. This indicates that management places some emphasis on monitoring and controlling investment expenditures, but not overwhelmingly so. With a mean score of 4.12, respondents agree that management diligently ensures the monitoring and control of expenditures in investment projects. The standard deviation of 0.84 suggests a moderate level of consensus among respondents regarding this statement.

All the departments have a system of operation through which they channel their capital expenditure needs, for timely and proper planning received a strong agreement, with 43.8% strongly agreeing or agreeing. This suggests that departments follow established procedures for submitting capital expenditure needs for planning purposes. The mean score of 4.26 indicates strong agreement that all departments have a system of operation for timely and proper planning of capital expenditure needs. The standard deviation of 0.86 suggests a moderate level of variability in responses, indicating some diversity in opinions regarding this statement.

Investment practice has a significant bearing on the financial performance of your health facility received varied responses, with 20.2% strongly agreeing, 46.1% agreeing, 29.2% neutral, and 4.4% disagreeing. This indicates that there may be a lack of consensus on the importance of investment practices for financial performance. With a mean score of 3.80, respondents moderately agree that investment practices have a significant bearing on the financial performance of the health facility. The standard deviation of 0.87 suggests a moderate level of variability in responses, indicating differing perceptions among respondents.

Inventory management

The third objective of this study was to examine the effect of inventory management on financial performance of Private Health Facilities in Homa Bay County, Kenya. To achieve this, the researcher probed the respondents about the inventory management. The findings are in table 3 in which percentage are presented inside brackets while frequency outside the brackets.

Table 3: Inventory management

Inventory management	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Dev.
There is always proper drugs inventory planning, procurement and financing by management.	55.1 (49)	36 (32)	4.5 (4)	2.2 (2)	2.2 (2)	4.39	0.86
There is proper recording and monitoring of drugs inventory level.	21.3 (19)	57.3 (51)	18 (16)	1.1 (1)	2.2 (2)	3.94	0.80
The facility plans its inventory replenishment on a timely basis for continued operations.	42.7 (38)	46.1 (41)	6.7 (6)	2.2 (2)	2.2 (2)	4.25	0.86
There is a strong system of inventory control system to ensure the right quantity and quality of drugs is procured and disbursed.	30.3 (27)	51.7 (46)	12.4 (11)	3.4 (3)	2.2 (2)	4.04	0.88
There is a strong risk assessment and management committee to advise on the financial risks threatening the safety of inventory and giving proper advice on their mitigation.	25.8 (23)	47.2 (42)	23.6 (21)	1.1 (1)	2.2 (2)	3.93	0.86
Management takes keen note on the costs associated with inventory ordering and carrying, and ensures an optimum level is always maintained.	18 (16)	38.2 (34)	36 (32)	4.5 (4)	3.4 (3)	3.63	0.95
Mean Score						**3.98**	

N=89; KEY: 1= Strongly agree; 2= Agree; 3=Neutral; 4= Disgree; 5=Strongly disagree; M=Mean; SD= Standard Deviation.

A total of 55.1% of respondents strongly agreed or agreed that there is always proper drugs inventory planning, procurement and financing by management. On the other hand, 2.2% of respondents strongly disagreed or disagreed with this statement. A mean score of 4.39 indicates a strong agreement among respondents that there is always proper drugs inventory planning, procurement, and financing by management within the facility. In terms of proper recording and monitoring of drugs inventory level, 57.3% of respondents agreed or strongly agreed with this statement, while only 2.2% of them strongly disagreed or disagreed. The mean score of 3.94 suggests general agreement that there is proper recording and monitoring of drugs inventory levels within the facility. Regarding the timing of inventory replenishment, 42.7% of respondents agreed or strongly agreed that the facility does so on time, whereas 4.5% of them disagreed or strongly disagreed. With a mean score of 4.25, respondents generally agree that the facility plans its inventory replenishment on a timely basis for continued operations.

Concerning the existence of a solid inventory control system, 30.3% of respondents strongly agreed, and 51.7% agreed. Meanwhile, 3.4% of them disagreed or strongly disagreed. The mean score of 4.04 indicates agreement that there is a strong system of inventory control to ensure the right quantity and quality of drugs are procured and disbursed. When it comes to having a strong risk assessment and management committee for inventory, 25.8% of respondents strongly agreed, and 47.2% agreed. However, 1.1% of them disagreed or strongly disagreed. Respondents generally agree (mean score of 3.93) that there is a strong risk assessment and management committee advising on financial risks threatening inventory safety and providing advice on mitigation strategies.

Lastly, regarding cost awareness and optimization of inventory levels, only 18% of respondents

strongly agreed or agreed. Conversely, 7.3% of them disagreed or strongly disagreed. With a mean score of 3.63, respondents agree that management takes note of the costs associated with inventory ordering and carrying, ensuring an optimum level is maintained.

Cash Management Practice

The fourth objective of this study was to establish the influence of inventory management on the financial performance of Private Health Facilities in Homa Bay County, Kenya. The results are presented in Table 4 in which percentage are presented inside brackets while frequency outside brackets.

Table 4: Cash management practice

Cash management practice	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Dev.
There is use of strict accounting principles and accountability in cash management.	56.2 (50)	18 (16)	9 (8)	12.4 (11)	4.5 (4)	4.09	1.25
Existence of strong budgetary control over cash received and cash banked	24.7 (22)	47.2 (42)	7.9 (7)	16.9 (15)	3.4 (3)	3.73	1.12
Management ensures that there is sound control over cash disbursed and cash brought down.	24.7 (22)	42.7 (38)	10.1 (9)	16.9 (15)	5.6 (5)	3.64	1.19
There is preparation of cash budget as a significant device to plan and control cash receipts and payments	27 (24)	50.6 (45)	11.2 (10)	10.1 (9)	1.1 (1)	3.92	0.94
There is proper utilization of surplus cash balances in viable investment projects.	29.2 (26)	42.7 (38)	15.7 (14)	7.9 (7)	4.5 (4)	3.84	1.08
Financial performance depends significantly on the level of cash management employed.	28.1 (25)	50.6 (45)	9 (8)	6.7 (6)	5.6 (5)	3.89	1.07
Mean Score						**3.88**	

N=89; KEY: 1= Strongly agree; 2= Agree; 3=Neutral; 4= Disagree; 5=Strongly disagree; M=Mean; SD= Standard Deviation.

Overall, there was a strong agreement that strict accounting principles and accountability are used in cash management, with 56.2% of respondents strongly agreeing and another 18% agreeing. The mean score of 4.09 indicates a general agreement among respondents that there is a use of strict accounting principles and accountability in cash management within the facility. However, there was less agreement on whether there is strong budgetary control over cash received and cash banked, with only 24.7% of respondents strongly agreeing and 47.2% simply agreeing. With a mean score of 3.73, respondents generally agree that there is a strong budgetary control over cash received and banked.

Similarly, there was also less than overwhelming support for the idea that there is sound control over cash disbursed and cash brought down, with only 24.7% strongly agreeing and 42.7% agreeing. The mean score of 3.64 suggests agreement that management ensures sound control over cash disbursed and brought down. Preparation of a cash budget as a tool for planning and controlling cash flows was met with slightly more enthusiasm, with 27% strongly agreeing and 50.6% agreeing. With a mean score of 3.92, respondents generally agree that there is preparation of cash budgets as a significant device to plan and control cash receipts and payments.

Utilizing surplus cash balances in viable investment projects was seen positively by 29.2% of respondents who strongly agreed and 42.7% who agreed, but nearly 23% expressed neutrality or lack of knowledge on this matter. Respondents generally agree (mean score of 3.84) that there is proper utilization of surplus cash balances in viable investment projects. Finally, there was broad consensus that financial performance is closely tied

to the effectiveness of cash management practices, with 28.1% strongly agreeing and 50.6% agreeing. With a mean score of 3.89, respondents generally agree that financial performance depends significantly on the level of cash management employed.

Performance of Private Health Facilities in Homa Bay County, Kenya

The general objective of the study was to determine the influence of financial planning practices and financial performance of Private Health Facilities in Homa Bay County, Kenya. The results are presented in Table 5 in which percentage are presented inside brackets while frequency outside brackets.

Table 5: Performance of Private Health Facilities in Homa Bay County, Kenya

Performance of Private Health Facilities	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Dev.
Private health facilities in Homa Bay County demonstrate consistent revenue growth over time.	27 (24)	43.8 (39)	25.8 (23)	1.1 (1)	2.2 (2)	3.92	0.88
The financial management practices of private health facilities in Homa Bay County are effective in maximizing profits.	24.7 (22)	52.8 (47)	14.6 (13)	6.7 (6)	1.1 (1)	3.93	0.88
The revenue generated by private health facilities in Homa Bay County is sufficient to cover their operational costs.	51.7 (46)	31.5 (28)	5.6 (5)	6.7 (6)	4.5 (4)	4.19	1.11
The profit margins of private health facilities in Homa Bay County are acceptable.	42.7 (38)	42.7 (38)	5.6 (5)	5.6 (5)	3.4 (3)	4.16	1.00
Private health facilities in Homa Bay County have adequate financial reserves to cope with unexpected expenses.	43.8 (39)	44.9 (40)	4.5 (4)	1.1 (1)	5.6 (5)	4.20	1.00
The financial stability of private health facilities in Homa Bay County is robust.	36 (32)	33.7 (30)	18 (16)	6.7 (6)	5.6 (5)	3.88	1.15
Mean Score						**4.06**	

N=89; KEY: 1= Strongly agree; 2= Agree; 3=Neutral; 4= Disagree; 5=Strongly disagree; M=Mean; SD= Standard Deviation.

An overwhelming majority of respondents (71.8%) believe that private health facilities in Homa Bay County consistently grow their revenues over time, with 27% strongly agreeing and 43.8% agreeing with this notion. Only a small fraction of respondents (3.3%) disagree with this sentiment, while fewer than 3% feel neutrally about it. The mean score of 3.92 suggests general agreement among respondents that private health facilities in Homa Bay County demonstrate consistent revenue growth over time. Moreover, two-thirds (77.5%) of respondents acknowledge that the financial management practices of private health facilities in Homa Bay County effectively maximize profits, with 24.7% strongly agreeing and 52.8% agreeing. Nevertheless, a considerable portion remains undecided (14.6%), while approximately 12% disagree with this viewpoint. the mean score of 3.93 indicates agreement that the financial management practices of private health facilities in Homa Bay County are effective in maximizing profits.

As far as covering operational costs go, 83.2% of respondents concur that the revenue generated by private health facilities in Homa Bay County suffices, with 51.7% strongly agreeing and 31.5% agreeing. Despite this, nearly 10% of respondents are unsure about this aspect, while 6.7% disagree and 4.5% strongly disagree. The mean score of 4.19 suggests strong agreement that the revenue generated by private health facilities in Homa Bay County is

sufficient to cover their operational costs. Almost three-quarters (85.4%) of respondents find the profit margins of private health facilities in Homa Bay County acceptable, with 42.7% strongly agreeing and 42.7% agreeing. Still, close to 12% of respondents don't share this perspective, and 3.4% strongly disagree with it. Respondents generally agree (mean score of 4.16) that the profit margins of private health facilities in Homa Bay County are acceptable.

Half of the respondents (88.7%) assert that private health facilities in Homa Bay County possess ample financial reserves to handle unexpected expenses, with 43.8% strongly agreeing and 44.9% agreeing. Yet, a combined 10.1% of respondent's exhibit skepticism toward this belief, revealing a minority dissenting voice. The mean score of 4.20 suggests strong agreement that private health facilities in Homa Bay County have adequate financial reserves to cope with unexpected expenses. Nearly seven in ten respondents (69.7%) consider the financial stability of private health facilities in Homa Bay County to be robust, with 36% strongly agreeing and 33.7% agreeing. Somewhat sizable minorities—amounting to 18% altogether—neither agree nor disagree, signaling uncertainty, while others hold contrasting sentiments, representing 12.3% of the whole sample size. The mean score of 3.88 indicates general agreement that the financial stability of private health facilities in Homa Bay County is robust.

Testing of Regression Model Assumptions

Before conducting linear regression analysis, the study sought to find out if the assumptions of linear regression analysis have been met. This includes Multicollinearity (VIF), Normality (Q-Q plot) and linearity (Scatter plot).

Test for normality

Normality is tested using the Shapiro-Wilk test which has power to detect departure from normality due to either skewness or kurtosis or both. Normality assumption was tested using Shapiro-Wilk Test (S-W). When the value of significance level is less than 0.05 then normality assumption has been violated while when the value is greater than 0.05 then the distribution is normal. From Table 6, all the variables were not significant i.e the P values were all greater than 0.05 thus normality was achieved and therefore, the study can use parametric tests.

Table 6: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Budgeting practice	.218	89	.091	.941	89	.465
Investment practice	.219	89	.088	.905	89	.159
Inventory management	.142	89	.200*	.950	89	.604
Cash management practice	.200	89	.163	.950	89	.602
Performance	.199	89	.164	.913	89	.203

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Test for Multicollinearity

Multicollinearity occurs when the independent variables in a multiple regression analysis are themselves highly correlated or affecting each other, thus, making it statistically difficult to evaluate the actual contribution of each respective independent variable to the variations in the dependent variable (Mnyuny, 2013). Multicollinearity was tested by computing the Variable Inflation Factor (VIF) plus its reciprocal the tolerance. The results in table 7 show VIF of less than the threshold value of maximum 10, thus indicating no multicollinearity issues.

Table 7: Multicollinearity Test

Variable	Tolerance	VIF
Budgeting practice	.566	1.768
Investment practice	.906	1.103
Inventory management	.657	1.522
Cash management practice	.587	1.704

Inferential Statistics Analysis

Correlation Analysis

Table 8: Pearson Correlation Analysis

		Budgeting Practice	Investment Practice	Inventory Management	Cash Management Practice
Budgeting practice	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	89			
Investment practice	Pearson Correlation	.514**	1		
	Sig. (2-tailed)	.000			
	N	89	89		
Inventory management	Pearson Correlation	.104	.219*	1	
	Sig. (2-tailed)	.340	.042		
	N	89	89	89	
Cash management practice	Pearson Correlation	.292**	.213*	.421**	1
	Sig. (2-tailed)	.006	.048	.000	
	N	89	89	89	89
Performance of Private Health Facilities	Pearson Correlation	.624**	.707**	.412**	.584**
	Sig. (2-tailed)	.000	.000	.003	.000
	N	89	89	89	89

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

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

The results indicate that budgeting practice has a positive Pearson correlation (r=0.642, p=0.000) effect on performance of Private Health Facilities in Homa Bay County, Kenya. The results also indicated that there is a positive relationship between investment practice and performance of Private Health Facilities in Homa Bay County, Kenya (Pearson correlation coefficient r= 0.707, P=0.000). The analysis in table 8 show that inventory management has a positive Pearson correlation coefficient (r= 0.412 P=0.003) effect on performance of Private Health Facilities in Homa Bay County, Kenya. The results showed that there is positive relationship between cash management practice and performance of Private Health Facilities in Homa Bay County, Kenya (Pearson correlation coefficient, r= 0.584, P=0.000). This implies that cash management practice is very necessary in performance of Private Health Facilities in Homa Bay County, Kenya. Ayub et al. (2015) studied the influence of treasury functions on hospital performance. They reported that efficient cash management contributes to higher liquidity ratios, lower borrowing requirements, and ultimately improves overall performance.

Multiple Regression Analysis

The study sought to determine the model summary findings in order to determine the overall percentage change in the performance of Private

Health Facilities in Homa Bay County, Kenya that was explained by all the metric of the financial planning practices by use of R^2. The results in Table 9 present R, R^2, Adj $R^{2,}$ F ratio and Sig. value.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2	Sig. F Change
1	.840[a]	.706	.692	.22557	.706	49.233	4	84	.000

a. Predictors: (Constant), Cash management practice, Budgeting practice, Inventory management, Investment practice

b. Dependent Variable: Performance of Private Health Facilities in Homa Bay County, Kenya

The results from the model summary in Table 9 give us information on the overall summary of the model. It can be deduced that financial planning practices account for 70.6% significant variance on the financial performance of Private Health Facilities in Homa Bay County, Kenya (R square =.706, P=0.000) implying that 29.4% of the variance in financial performance of Private Health Facilities in Homa Bay County, Kenya is accounted for by other variables not captured in this model. The next Table 10 is ANOVA which is also known as model of fit (goodness of fit; F Ratio, Sig Value).

Table 10: Model of Fit (ANOVa Table)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	10.020	4	2.505	49.233	.000[b]
Residual	4.172	84	.051		
Total	14.193	88			

a. Predictors: (Constant), Cash management practice, Budgeting practice, Inventory management, Investment practice

b. Dependent Variable: Performance of Private Health Facilities in Homa Bay County, Kenya

According to the data, the F value is more than one, as demonstrated by a value of 49.233, which indicates that the enhancement obtained as a consequence of model fitting is significantly greater than the model errors/inaccuracies that were not included in the model (F (4,88) = 49.233, P=0.000) The big F value is very unlikely to have occurred by coincidence (95.0 percent), meaning that the final research model has significantly improved in its capacity to forecast financial performance of Private Health Facilities in Homa Bay County, Kenya as a result of the financial planning practices techniques examined.

Table 11: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.270	.308		.874	.385
Budgeting practice	.535	.078	.549	6.899	.000
Investment practice	.161	.039	.157	4.128	.000
Inventory management	.217	.077	.210	2.838	.006
Cash management practice	.173	.074	.183	2.343	.022

Dependent Variable: Financial Performance of Private Health Facilities in Homa Bay County, Kenya

A regression of the four predictor variables against financial performance of Private Health Facilities in Homa Bay County, Kenya established the multiple linear regression model as below as indicated in Table 11.

$$Y=0.270+ 0.535X_1+0.161X_2+0.217X_3+0.173X_4$$

where:

Y= Performance of Private Health Facilities in Homa Bay County, Kenya

X_1= Budgeting practice

X_2= investment practice

X_3= inventory management

X_4= Cash management practice

From the findings presented in Table 11, all financial planning practices in this study had significant influence on the financial performance of Private Health Facilities in Homa Bay County, Kenya. If financial planning practices are held at zero or it is absent, the financial performance of Private Health Facilities in Homa Bay County, Kenya would be 0.270, p=0.385.

SUMMARY

The first objective of the study was to analyze the effect of budgeting practice on the financial performance of Private Health Facilities in Homa Bay County, Kenya. Respondents generally agree that private health facilities in Homa Bay County, Kenya, engage in prompt budget preparation and communication (47.2%). Coordination by department heads is perceived as adequate (52.8%). While there's agreement on budget performance evaluation report preparation (60.7%) and deviation reporting (67.4%), opinions on budget implementation vary (15.7% agreement, 47.2% neutral). Budget control policy perception is divided (51.7% agreement, 13.5% neutral). Overall, respondents agree on these practices but with moderate variability in opinions. Pearson correlation analysis indicated that there is direct relationship between budgeting practice and performance of Private Health Facilities in Homa Bay County, Kenya.

The second objective of the study was to establish the effect of investment practice on the financial performance of Private Health Facilities in Homa Bay County, Kenya. The management's role in determining investment needs and choices received strong endorsement (mean score: 4.27). Investment decisions are largely evaluated using project appraisal techniques (mean: 4.07), suggesting consistency but with potential variations. Forecasting based on investment policies garners agreement, indicating some reliance on policies (mean: 4.19). Management's diligence in monitoring expenditures is acknowledged (mean: 4.12), as is the existence of operational systems for capital expenditure planning (mean: 4.26). However, opinions on investment practices' impact on financial performance vary, with moderate agreement (mean: 3.80). Pearson correlation analysis indicated that there is direct relationship between investment practice and financial performance of Private Health Facilities in Homa Bay County, Kenya.

The third objective of the study was to examine the effect of inventory management on the financial performance of Private Health Facilities in Homa Bay County, Kenya. A majority of respondents (55.1%) strongly agreed or agreed that proper drugs inventory planning, procurement, and financing are ensured by management. Similarly, there's general agreement (57.3%) on the proper recording and monitoring of drugs inventory levels. Respondents also agree (42.7%) on timely inventory replenishment practices. Furthermore, there's consensus (82%) on the presence of a robust inventory control system. However, opinions are divided on cost optimization practices. Overall, the findings suggest effective inventory management practices with areas for potential enhancement in cost optimization. Pearson correlation analysis indicated that there is positive and significant relationship between inventory management and performance of Private Health Facilities in Homa Bay County, Kenya.

The fourth objective of the study was to determine the effect of cash management practice on the financial performance of Private Health Facilities in Homa Bay County, Kenya. Cash management practices receive generally positive reviews from respondents, with 56.2% strongly agreeing on strict accounting principles usage and 47.2% agreeing on strong budgetary control. However, support wanes when asked about specific controls, such as cash disbursed (24.7%) and utilizing surplus cash balances (29.2% strongly agree). A majority recognizes the importance of preparing cash budgets and tying financial performance to cash management. Utilizing surplus cash balances reveals some ambiguity, as 22.9% expressed neutrality or lack of knowledge. Generally, there is recognition of the importance of cash management practices and their impact on financial performance. Pearson correlation analysis indicated that there is positive and significant relationship between cash management practice and financial performance of Private Health Facilities in Homa Bay County, Kenya.

CONCLUSIONS

Going by the outcome of the study, there emerged a very strong, positive and statistically significant correlation between budgeting practice and financial performance of Private Health Facilities in Homa Bay County, Kenya indicating that the budgeting practice techniques affects performance. Budgeting practices are generally present in Homa Bay County health facilities, with communication, coordination, and reporting procedures in place. However, opinions on budget implementation and control policy were less uniform.

The study concluded that investment practice has significant effect on the financial performance of Private Health Facilities in Homa Bay County, Kenya. This postulated that investment practice plays major role in enhancing financial performance of Private Health Facilities in Homa Bay County, Kenya. Investment decisions seem well-structured, with project appraisal techniques and forecasting practices being used. Monitoring of expenditures and dedicated systems for capital expenditure planning are evident.

The study concluded that inventory management has significant effect on the financial performance of Private Health Facilities in Homa Bay County, Kenya. This suggested that inventory management plays significant role in enhancing performance of Private Health Facilities in Homa Bay County, Kenya. Inventory management practices appear well-established, with strong agreement on planning, recording, replenishment, and control systems. Timely inventory replenishment and robust inventory control systems were evident. However, cost optimization requires improvement.

The study concluded that cash management practice has significant positive effect on the financial performance of Private Health Facilities in Homa Bay County, Kenya. This suggested that cash management practice does play significant role in enhancing financial performance of Private Health Facilities in Homa Bay County, Kenya. Positive reviews of cash management practices signal their importance in private health facilities in Homa Bay County, Kenya. Agreement on strict accounting principles and strong budgetary control prevails, yet specific controls see less endorsement. Participants recognized the value of preparing cash budgets and linking financial performance to cash management.

RECOMMENDATIONS

Firstly, in terms of budgeting practices, the study recommended that the management of private health facilities should focus on improving budget implementation procedures to ensure consistency and effectiveness. Strengthening budget control policies is essential to provide clear guidelines for expenditure monitoring and accountability. Conducting regular training sessions for staff can improve their understanding and adherence to budgeting practices. Additionally, implementing systems for continuous evaluation and improvement based on stakeholder feedback can enhance the overall budgeting process.

Secondly, concerning investment practices, the study recommended that there is of management of private hospital to develop a comprehensive investment strategy aligned with the facility's growth objectives and financial capabilities is crucial. Prioritizing investments based on rigorous project appraisal techniques and feasibility studies can help maximize returns. Establishing robust monitoring and evaluation mechanisms to track the performance of investment projects and adjust strategies as needed is also recommended. Furthermore, fostering a culture of financial prudence and risk management is essential to ensure responsible investment decisions.

Thirdly, with regard to inventory management, streamlining inventory planning and procurement processes is necessary to ensure timely availability of essential drugs and medical supplies. Investing in inventory management systems and technology can improve accuracy, transparency, and efficiency in inventory tracking. Implementing cost optimization measures to minimize wastage, reduce carrying costs, and maximize resource utilization is also recommended. Providing training and capacity-building initiatives for staff involved in inventory management can enhance their skills and competencies.

Lastly, in terms of cash management practices, strengthening internal controls and oversight mechanisms is crucial to ensure compliance with accounting principles and budgetary guidelines. Implementing automated cash management systems can streamline cash handling processes and improve transparency. Enhancing staff awareness and training on cash management practices, emphasizing the importance of accurate record-keeping and adherence to financial policies, is recommended. Regularly reviewing and updating cash management policies and procedures to adapt to changing financial environments and mitigate emerging risks is also essential.

Areas for Further Research

This study determined the influence of financial planning practices on the financial performance of Private Health Facilities in Homa Bay County, Kenya. Four specific objectives were considered that is the role of budgeting practice, investment practice, inventory management and cash management practice. To begin with, the scope of the study was only limited to Private Health Facilities in Homa Bay County, Kenya and therefore the findings may not necessarily reflect other health facilities in Kenya particularly, public facilities, thus there is a need for similar study considering other health facilities, in other counties in Kenya.

Secondly, the study focused on four financial planning practices which did not fully determined performance of Private Health Facilities in Homa Bay County, Kenya, Kenya. This implies there may be other independent variables such as debt management which further studies ought to consider.

Similarly, the study did not factor moderating, mediating or intervening variables which may affect performance of Private Health Facilities in Homa Bay County, Kenya. Therefore, further studies should focus on size of the facility, management commitment which may affect performance either directly or indirectly.

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