COVER PAGE

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DECLARATION

I, Mbuyu Lisimba holder of student number BAA18106, declare that the dissertation, Examining the effects of financial management performance of public sector organization: A case study of NRFA”” is my own work, except where explicitly stated otherwise. I have acknowledged all sources used in this dissertation, and all material obtained from other sources has been duly cited and referenced.

I understand the consequences of plagiarism and confirm that this dissertation has not been submitted for any other degree at any other institution. Where material has been used from any other sources, it has been properly acknowledged in accordance with the guidelines of the ZCAS University.

Signature

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Ndola, 11th April, 2024

CERTIFICATE OF APPROVAL

The dissertation by Dr Francis Mukosa is approved as part of the requirements for the award of the Master's degree in Business Administration.

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Supervisor Signature ………………………………….Date……12/04/05………………

DEDICATION

To my **Sonshine** “Ngonda Chibuye”

In the journey of this dissertation, you have been my constant inspiration and unwavering support. At just 14 years you are making me walk my head high with immeasurable pride. Your determination and focus for the future have been my driving force behind every word written.

This dissertation is not only a statement to academic achievement but also a reflection to the values instilled in me by you. Your declarations and vision for our dear future have shaped my perspective and fueled my determination to pursue knowledge.

As I dedicate these pages to you, I want you to know that this accomplishment is as much yours as it is mine. Thank you for giving me an opportunity to nurture you, thank you for your patience during this challenging journey and for being the anchor that kept me grounded.

With all my love

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ABSTRACT

Most of the public sector institutions in Zambia are faced with a confront of poor financial performance thus posting losses. One of the reasons quoted is lack of robust public financial management practices such as inadequate budgeting processes, poor financial reporting and tracking mechanisms, lack of internal control systems and risk management teams. These challenges culminate into the need of ascertaining the interplay between financial management and financial performance of the institutions. The key objective of the study was to evaluate the impact of financial management on financial performance of public institutions in Zambia. Particularly, the study sought to ascertain how budgeting, financial reporting, internal control and risk management systems influence the financial performance indicators as profitability, cash flow and revenue collection at the NRFA. The study was underpinned by such theories as organizational control theory, contingency theory, modern portfolio theory and the resource-based theory. The empirical literature review covers the independent and the dependent variables. The conceptual framework gives a representation of the variables and the linkage of these variables. The study employed a descriptive study design and aided by inferential statistics to provide the degree of influence of the explanatory variable on the explained variable. The population of the study comprised of 60 respondents from various units of the agency. Census sampling was adopted where all the respondents formed the study sample. In the collection of data, questionnaires were utilized. The analysis of the collected data was done descriptively and inferentially. The study infers that budgeting, financial reporting, internal control and risk management had an effect on the financial performance though not statistically significant.

Contents

CHAPTER ONE

INTRODUCTION

1.1. Introduction

Financial performance of public institutions has invariably been a fundamental issue in most of the debates that surround public sector institutions around the globe as public institutions are very cardinal in shaping the economies of countries be it developed or developing countries. This finds backing in Cheruiyot et al., (2017) who assert that public financial management is of great import in addressing the availability of resources for investment and the cost-effectiveness for enhanced quality of public services. Financial performance of public institutions is driven by a number of institutional frameworks such as public financial management. Underscoring the effect of such public financial management practices as budgeting, financial reporting and internal controls on the financial performance of public institutions in Zambia is thus, critical. This study is, therefore, focused on making a resolute examination of the impact of public financial management on the financial performance of public institution in Zambia, a case study of the National Road Fund Agency, NRFA.

1.2. Background to the study

Public financial management is critical in the enhancement of the eminence of service outcomes in public institutions which are very essential in the socio-economic development agenda of countries around the globe. Public financial management influences the utilization of public funds that are meant to attend to national priorities, the accessibility of resources for investment and the cost-efficacy of public service delivery. This argument is consistent with the assertion by Kibachia et al., (2015) that public financial management is critical for superior performance of public institutions, and enhanced outcomes of the public services.

Public financial management looks at such issues as financial reporting, budgeting, and issues that relate to governance like internal controls, and risk management, in addition to its robust stress on value for money in each and every transaction that a public institution undertakes (Wang, 2014). Cheruiyot et al., (2017) opine that public financial management is a multifaceted field with numerous ingenuities and comparatively few successes to date. The implementation of public financial management reorganization has been a challenge in most of the countries around the globe. The successful mounting and implementation of public financial management projects in developing countries should take into consideration financial management practices that are both efficient and effective. Fung (2012) argues that public sector institutions must adopt discrete budgeting and internal control systems; financial reporting and risk management which encourage enhanced financial management in the institutions. It must be pointed out that financial management as an aspect of adopted practices influences the financial performance of an institution.

Financial performance may be thought of as an entity's output measured within a specified time structure. Financial performance, as a performance indicator, gauges the efficiency of an organization to utilize the existing resources for wealth creation (Epstein et al., 2015). Financial performance essentially delineates how an institution has performed over a given time frame. It is utilized as measure of how well an institution endeavors to attain its vision and mission. It in other words, refers to the extent to which the financial objectives of a given organization have been achieved. It measures the results of an organization's policies and operations in monetary value.

Public institutions such as statutory bodies and parastatals in African nations have existed from as early as the 1950s and they continued to expand in the sub-Saharan Africa, SSAs by the 1980s. They are nonetheless, linked to record of sustained mediocre performance (Mbo, 2017). Mounting expectations of the public institutions by the taxpayers have compelled authorities to reform public financial management practices in public institutions, with a view to enhance their operations consequently enhanced financial performance among other performance parameters.

In the Zambian scenario, a lot has been done to enhance the functioning of the public financial management mechanisms in public institutions. However, the concentration appears to have been on the practice of the public financial management, with no much consideration of the ultimate end in perspective (Chileshe et al., 2011). There is collective understanding that Zambia as a country needs a far-reaching, transparent and responsible public finance management configuration that will ensure discreet and enhanced financial performance as well as enhanced service delivery by the public institutions.

Public view is that most of the public financial management reforms around budgeting, financial reporting, internal controls and risk management meant for the public institutions seem to be disjointed and not often vividly link to the complete need for superior financial performance of the public institutions which facilitate high levels of positive outcomes. Many stakeholders have observed that the public institutions have continued to underperform and public funds have continued to be misapplied and misappropriated in the public institutions. Concerns are specifically pronounced when it comes to financial management in infrastructure – a quarter that is in dire need of efficacy and quality service delivery, particularly in the rouse of decreased donor contribution. In terms of public financial management framework, the agency grapples with such issues as inadequate and uncertain allocation of funds towards payments in a number of cases, as well as inadequate budget allocation towards agency operations which has the potential to constrain the financial performance of the agency (National Road Fund Agency, 2021). The study was concerned endeavoured to illuminate the nuanced effect of public financial management on financial performance of the National Roads Fund Agency, NRFA.

1.3 Research problem

By and large, public institutions in Zambia are of great import as they play substantial role in the delivering of service to Zambian citizens and essentially the economic well-being of the nation. They are thus, considered to be key drivers of economic growth whilst delegated with the responsibility of making sure that there is quality infrastructure development in the country. Funding of quality road by the National Funds Agency is possible each time the institution executes appropriate financial management practices in its investment as well as expenditure decisions. It must however, be pointed out that most public institutions like the NRFA are confronted with poor financial management practice; which is usually illuminated in abuse of financial resources and inefficacies in internal control mechanisms. This ultimately leads to poor financial performance of the institution's money (Mbo, 2017).

There is little effort in Zambia towards examining the effect of public financial management on the financial performance of public institutions such as the NRFA. A study by Chileshe et al., (2011) was focused on identifying challenges and potential success factors regarding public finance management in Zambia. This creates a knowledge gap as the study did not reveal the effect of public financial management practices as budgeting, financial reporting, internal controls and risk management on such financial performance of public institutions such as the NRFA, which is the key focus for this study. This research thus, attempted to close the knowledge gap by examining what the effect of financial management practices such as inadequate and inappropriate budgeting and financial reporting, weak internal controls and risk management mechanisms among others at the Zambia National Roads Fund Agency, NRFA on the financial performance of the institution was.

1.3 Research Aim, Question and Objectives

1.3.1 Research Aim

The study aimed at investigating the effect of public financial management on financial performance of the National Roads Fund Agency of Zambia.

1.3.2 Research Objectives

The specific research objectives were to:

(i) Evaluate the effect of budgeting on financial performance of public institutions in Zambia, specifically the National Roads Fund Agency.

(ii) Determine how financial reporting affects financial performance of public institutions in Zambia, specifically the National Roads Fund Agency.

(iii) Assess the effect of internal controls on financial performance of public institutions in Zambia, specifically the National Roads Fund Agency.

(iv) Ascertain how risk management affects financial performance of public institutions in Zambia, specifically the National Roads Fund Agency.

1.3.2 Research Questions

The research questions were:

(i) How does budgeting affect financial performance of public institutions in Zambia, specifically the National Roads Fund Agency?

(ii) What is the effect of financial reporting on financial performance of public institutions in Zambia, specifically the National Roads Fund Agency?

(iii) How do internal controls affect financial performance of public institutions in Zambia, specifically the National Roads Fund Agency?

(iv) What is the effect of risk management on financial performance of public institutions in Zambia, specifically the National Roads Fund Agency?

1.4 Explanatory variables and dependent variables

The research endeavored to establish the one-way causal relationship between financial management framework and financial performance of public institutions in Zambia. In this study, the explanatory (independent) variables were public financial management practices. These included:

(i) Budgeting

(ii) Financial Reporting

(iii) Internal controls

(iv) Risk Management

The dependent (explained variables) for the study was financial performance of the public institution which included:

(i) Revenue Generation

(ii) Cost Efficiency

(iii) Return on Investment

1.5 Research contributions

The research has made invaluable contributions in a number of ways. To the academic world, the research augments the body of knowledge on causal relationship between public financial management and financial performance of public institutions in developing countries as Zambia. This was on account of the fact that the study provided empirical evidence on the construct from the Zambian viewpoint.

To the policy makers, the study makes valuable contribution in so far as public policy formulation is concerned. One contribution is that the study provides policy insights on the advantages and pitfalls of public financial management framework that is implemented in the country in so far as its effect on the financial performance of the public sector organizations is concerned. The study also acts as a benchmark for others who may have interest in the concept either from within the country or outside the country.

The practical recommendations and strategies from this study provide valuable insights to the National Roads Fund Agency and other related public institutions in the country on how public financial management framework can be executed to improve the financial performance of the institutions.

1.6 Overview of Research Design

The study employed a descriptive non-experimental research design on the basis that, the data was collected without any alteration of the environmental setting of the research study. This design is appropriate when a study attempt provide answers to such questions as the “why”, “where”, “when, and “how” questions of the study (Creswell 2013). This is consistent with the design used by Abdullahi and Gichinga (2018) on the effect of financial management practices on financial performance of Somalia Civil Aviation and Meteorology Authority, SCAMA. This design was very effective in that it helped the research to establish how public financial management affected the financial performance of public sector institutions in Zambia such as the National Roads Fund Agency, NRFA.

1.6.1 Research approach and method

There numerous empirical studies done globally on the interplay between public financial management framework and financial performance of state-owned enterprises, SOEs or parastatals. A number of these empirics have established that public financial management framework influences the financial performance of public institutions including SOEs. Based on this fact, this study utilized deductive approach since the study was focused on making logical inferences on the impact of public financial management framework on financial performance of public institutions in Zambia, particularly the National Roads Fund Agency.

The research utilized a quantitative research method which enumerated and provided answers to such questions as “the extent to which”. Quantitative research methods, as argued by MacDonald and Headlam (n.d) examine numeric of data and inferences of the findings from a study sample to the target population of interest.

1.6.2 Data collection and analysis techniques

An introductory letter was collected from ZCAS University which made it possible for the researcher to collect the relevant primary data for the research. This letter was presented to all stakeholders that participated in the research so that the researcher would be permitted to get the much-needed data from the respondents. The researcher used a self-administered questionnaire as the respondents in this study were of adequate education pedigree.

The data collected was analyzed with the help of the Statistical Package for Social Sciences, SPSS. All the questionnaires which were duly filled-in were referenced and all the components in them coded. This was done in order to accelerate the data entry process. Data cleaning was also carried out in order to check for errors in the data entry process. Descriptive statistics were utilized to capture the quantitative variables. The qualitative aspect of the data was analyzed with the help of content analysis to provide context to the quantitative data. The statistical outcomes were presented with the usage of percentages, frequencies, standard deviations and mean scores which were estimated and the information presented in the tabular format.

1.7 Organization of the study

The study was structured into five distinct sections or chapters. Chapter one of the study provided the introductory segment of the study. This consisted of the introduction to the study, the background to the study, and a statement of the research problem. The other parts covered in this chapter were research aim, questions and objectives, a treatment of the explanatory and explained study variables, significance of the research, an overview of the research design, outline of the dissertation, and summary of chapter one.

Chapter two of the research was an account of the relevant literature. It precisely provided the theoretical account of the literature which consisted of the definitions of key terms and concepts, key theories or models that underpinned the research, and the interplay between the study variables. It also provided an account of the relevant empirical studies, analysis of the gaps that subsist in the literature, a conceptual framework or study model and a summary of the chapter.

Chapter three provided the methodological underpinnings of the study. It specifically provided the theoretical foundation of methodological approach, a research paradigm or philosophy, practical attributes of methodology, and validity and reliability of the research findings, as well as generalizability aspect of research findings. The chapter further provided a consideration of the ethical and accessibility issues in the research, and a synopsis of the chapter.

Chapter four presented the research findings and analysis. It absolutely provided the socio-demographic features of the respondents, findings and analysis on each of the questions according to the objectives of the research, and a chapter summary. Chapter five provided discussions, conclusions based on the research objectives, and the practical/managerial implications of study findings or simply the recommendations. The chapter further provided the limitations of the study and suggestions for future research, and a summary of the chapter.

1.8 Chapter Summary

Public institutions such as the National Roads Fund Agency, which are a significant contributor to economic trajectory of both developing and developed economies, need to adhere to the Public Financial Management framework for their enhanced Financial Performance. The public financial management framework includes: budgeting, financial reporting, internal controls and risk management. The financial performance measurements were: revenue generation, cost efficiency and asset management. The main objective of the study was to examine the effect of public financial management on financial performance of public institutions in Zambia, specifically the National Roads Fund Agency. The chapter provided the background to the study and an overview of the research design. The next chapter provides an account of the subsisting literature regarding the public financial management and financial performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a succinct review of the existing literature on the Public Financial Management, Financial Performance in public institutions as dictated by the objectives of the study. It provides the theoretical review which comprises the principal theories and models that pertain to public financial management and financial performance of public institutions. It further provides empirical account of the causality of public financial management and financial performance of public institutions, an analysis of the lacunas that exist in the literature, a study model or conceptual framework, and a summary of the chapter.

2.2 Theoretical Review

This part of the literature review provides a theoretical background of the study or research. It also provides the principal theories and models that underpinned the study.

2.2.1 Major Theories and Models

(i) Organizational Control Theory

The theory of organizational control attempts to provide a meticulous examination of the practice through which a faction endeavors to manipulate the conduct of another in a given structure. Organizational control is a fundamentally open activity that comprises verbal as well as physical actions that are devised to overwhelm resistance and apply authority over others. Double Interact of Control is a three-part configuration for investigating organizational control from a communication angle (Wang'ombe and Kibati, 2016). The first two phases of the process are premised on the fundamental interaction framework of communication where X sends a message to Y; Y gives feedback to X. The third step is to generate a double interact arrangement. The first part of the model is expressed as the direction phase where the leader of an organization gives a direction to Y, the subordinate. The second step is the evaluation phase. This phase assesses B's response to the initial message so as to ascertain how the direction was construed. The final segment of the process is the discipline phase. X provides Y with a motivation for adhering to the original direction. If Y has given appropriate feedback, he or she might receive a reward.

Conversely, if Y has performed in an unacceptable way, X will provide a punishment in an endeavor to correct Y's behavior. This theory elucidated why internal controls and checks were critical in any organization. Therefore, in the perspective of the proposed study, this theory validated why internal control system would heighten the efficacy and answerability in financial management.

(ii) Contingency Theory

This theory was proposed by Burrell and Morgan (1979). The theory opines that an entity does not subsist and work in isolation but rather networks with forces within the environment of existence. The theory demonstrates that only organizations that are able to cope with the adjustments in their environmental settings can efficientlylast. One of the mechanisms within an institution is its financial reporting aspect.

Contingency theories were initially used to elucidate deviations in structures of organizations. Empirics have established that the theory proffer a more practicaltactic of scheming management, accounting and reporting systems. Other scholars have established that adjustments in environment may culminate into divergencies in mechanisms of financial reporting. Thus, in this perspective adoption of novel financial reporting attemptshighly depends on a number of limitations within an organization. Each themmay be abstracted as falling into one of the four divisions in the contingency configuration (Donaldson, 1999). These contingency variables include: social factors impacting financial reporting mechanisms and the organization environment which are essentially the various accounting approaches, organizational features such as capital outlay, size, and the user characteristics namely decision paradigms (Child, 1975). The theory associated organizational culture and how it regulated the linkage between financial management and financial performance. It also related financial reporting system to financial performance of an organization.

(iii) Modern Portfolio Theory

The theory was proposed by Markowit (1952) to link the risk and the return trade off of an investment. It must be pointed out that investments are made with inherent risks and therefore resources are commited to a project, deliberate efforts must be taken to ascertain the viability and likely risk level of the investment. In order to reduce risk exposure, the theory suggests that portfolio selection is a must. It contends that the risk inherent in an investment can be reduced through diversification. Diversification becomes a reality with apt portfolio selection. A portfolio is basically a set of assets that are held by investors with a view to minimize risk and maximizing returns at the same time. Through a portfolio, investors will have diversified their investments and therefore minimizing risk exposure which eventually maximizes returns. The techniques through which investors select and combine different assets in the portfolio form the foundation of risk minimizing and return maximizing efforts (Grasse, Whaley and Ihrke, 2016).

Financial management may involve decisions that are risky such as capital budgeting and structuring decisions. Budgeting decisions dictate that an organization must commit resources in various investments. For optimal returns, risk return tradeoff is critical which is best elucidated by this theory. This theory was thus, appropriate to the study as it connected risk management and the influence it has.

(iv) Resource Based Theory

This theory was proposed by Wernerfelt (1984). It is based on the fact that resource endowment in an organization translates into performance. Variations in performance between organizations may thus be elucidated by discrepancies in resource endowment. An organization thus, gains first-class performance when it hasdistinctive resources. The theory argues that organizations may be thought as discrete packages of resources. The resources of an entity have certain features which dictate performance. The resources distribution is heterogeneous across organizations and the disparities in their source endowments are in force over time (Wernefelt, 1984). Thefeatures of resources are critical if an organization has to gain competitive edge and thus superior performance (Barney, 1995).

The theory argues that there, is need not only for strategic but also efficient management of organizational resources for improved performance. This theory was relevant to the study as it explicated the character that employees in an organization hold in carrying out internal control in ensuring apt financial management. This requires comprehensive budgeting and reporting on the use of the organization’s limited resources. Having organizational philosophy that fosters teamwork, in a cohesive way enhances the financial performance of parastatals.

2.3 Empirical Studies

2.3.1 Budgeting and Financial Performance

Every organization leverages on a budget to efficiently attain its goals and objectives as well as determining its past performance. This does help in making predictions on the organizational performance in future (Gessaroli, Brigham, Nason and Ehrhardt, 2016). Hermininingsih (2009) assessed the effect of employee participation in budgeting on local government performance, and established a positive effect on the performance of local governments

A study by Maritim (2013) examined how budgeting influenced financial performance using a scenario of the Kenyan commercial and manufacturing state enterprises. It was established that budgetary complexity, participation and planning were three principal carry outs among the organizationsthat were studied, and allowing workers of the organization to be part and parcel of the budgeting process resulted into successful actualization of the set plans.

Gekonde (2013) conducted a similar study to assess the impact of performance budgeting on the management of parastatals in Kenya. The research applied a descriptive design research design on parastatals in Kenya. The study revealed that employing performance data, performance targets in the budgeting process, performance assessments and spending appraisalswere critical in elucidating the disparities in the management of the state-owned firms. The study recommended that the management of human resource element for managing outcomes should be focused on robust performance-premised incentives for public officials.

A study on the impact of budgeting on the performance of Kenyatta National Hospital by Anyango et al., (2017) showed that participation in budgeting affected performance of state firms. An empirical study by Mbugua (2013) endeavoured to ascertain the interface between budgeting and organization’s performance using the case of Kenya’s water sector. The revelations were that budget planning positively impacted on revenue collection. The study thus infers that participation in budget planning by employee was essential for improved performance in the provision of water services.

Irungu (2014) attempted to ascertain the linkage between capital budgeting and the performance of Kenyan firms. The study particularly investigated how the capital budgeting in evaluations of projects influenced their performance. The study established that financial performance of these listed companies was in a significant manner, affected by the capital budgeting techniques employed.

2.3.2 Financial Reporting and Financial Performance

A study by Abdullahi and Gichinga (2018) on the effect of financial reporting on financial performance of Somalia Civil Aviation and Meteorology Authority (SCAMA) revealed that financial reporting had a good explanatory power on SCAMA's financial performance.

The findings showed that 14.8% of the deviation in the financial performance of the authoritywere elucidated by financial reporting at degree of freedom of 5%.

According to Donald (2009) apt financial performance measures are those which are able to make organizations be able to direct their actions towards achieving their set out strategic objectives. It can thus be well argued that internal controls could actually help a public sector entity be able to achieve its financial performance targets and prevent loss of the financial resource. The study findings in Zambia have actually shown that internal controls are able to provide help in ensuring that there is a reliable financial reporting system and ensuring that the public sector institutions comply with the laws and regulations to avoid damage to their reputation and other consequences that may jeopardize their operations (Donald, 2009).

2.3.3Internal Control System and Financial Performance

A study by Mugo (2013) to ascertain how internal control systems in place impacted on financial performance ofthe Kenyan learning establishments, and the study established that management showed commitment to internal controls. The study further revealed that managementsupervised and evaluated the performance and monitored all activities taking part within the learning institutions. A study conducted in Nigeria by Ademola et al., (2015) on how internal control systemsimpacted on the public sector organizations revealed that capital greatly impacted on the earning eminence.

Tinega, Nyamita and Nyakundi (2014) assessed the linkage between internal controls on financial performance using a case of small-scale businesses in Kisumu. The study particularly investigated the effect internal controls on returns on assets and investments and the findings, internal control considerably affected financial performance of small businesses.

A study by Abdullahi and Gichinga (2018) on the effect of internal controls on financial performance of Somalia Civil Aviation and Meteorology Authority (SCAMA) showed that internal controls had an effect on SCAMA's financial performance.

Zambia as a developing country has made deliberate attempts to strengthen the internal control mechanisms in the public sector institutions, through its agencies such as the Bank of Zambia, which is the central bank of the country. The Ministry of finance and National planning has been encouraging the spending institutions such as the agency to lay stress on the implementation of effective and efficient internal control systems in the public sector organizations. To this effect, the management boards of every public sector institution have been given the mandate to approve apt policies and procedures, and adequate general internal control mechanisms, for monitoring and controlling the risks that are inherent in the operations of these particular institutions. (BAFIA, 2006).

A study by Phiri (2017) established that there was a significant affiliation between internal control and the financial performance of the institution under study in this case. The author suggested that there should be a deliberate strategy meant to improve the creation of supplementary finances for those institutions and colleges that were under the Technical Education, Vocational and Entrepreneurship Training, TEVET Management Boards in the country. The Study thus, inferred those internal controls did function to some degree and that there was a significant linkage between internal control systems and the financial performance in the institutions and colleges under inquiry. It was thus, recommended that management of the Kabwe Institute of Technology needed to devise a much stronger internal control mechanism with the view that it could help in the enhancement of financial performance of the institution.

2.3.4 Risk Management and Financial Performance

In a study by Keitany (2015) on the effect of risk management on service delivery in Kenya's state enterprises using a descriptive study design it was established that the espoused operational risk management procedures had an influence on service delivery level. Muriungim et al., (2017) evaluated how risk management affected the financial stability of State-Owned Enterprises in

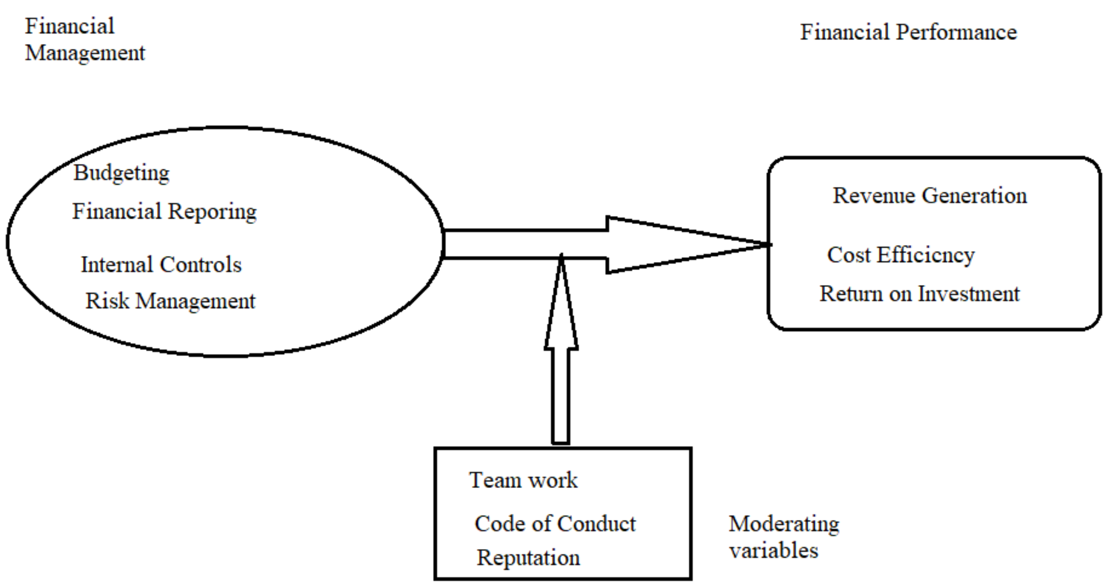
Kenya. The research revealed that risk management led to financial stability in the state corporations.

Mwangi (2012) assessed how the management of credit risk impacted on the financial performance in the Kenyan banking sector and it wasfound that risk management greatly influenced financial performance through such things as the performance of loans and credit adequacy of the banks. It was further established that the ratio of non-performing loans had an inverse and significantlinkage tothe return on equity. The study made a recommendation that the risk profile of borrowers required to be defined by the system in as regards the risk involved.

Mucheru (2016) investigated how risk management influences financial performance of firms in the insurance firms. It was revealed that insurance companies that employed risk management practices in their activities had strong financial performance. Risk minimization positively affected financial performance. Thus, espousal of risk management strategies had a positive influence on financial performance of insurance firms.

2.5 Conceptual Framework/Study model

The conceptual framework or study model is a graphic or illustrativeaccount of the research variables together with their paradigms (Yin, 2017). A study model aids operationalization of the research variables. The framework for the research was as given in the figure below:



Source: Researcher’s own construction, 2023

The independent variable is financial management proxied bybudgeting, internal controls, financial reporting, and risk management. The dependent variable is the financial performance proxied by cost efficiency, Return on Investment and Revenue Generation. There are also moderating variables namely: Team work, Code of Conduct and Reputation.

2.6 Gap analysis of the Literature

There are number of studies that have shown the interaction between financial management and financial performance. These studies have revealed a number of lacunas in the literature A study by Gekonde (2013) assessed the impact of budgeting on the management of parastatals in Kenya and revealed that use of performance data, performance targets in the budget formulation process, performance valuations, and spending assessments were key in explaining the disparities in the management of parastatals. The study did not relate budgeting and financial performance directly which generates aresearch gap. Zakkies (2016) examined how capital budgeting influenced returns of the Matatu industry. The aim of the research was on the Matatu industry and not the public institutions, which creates a research gap.

An empirical study by Mbugua (2013) attempted to find out the link between budgeting and organization's performance using the case of Kenya's water sector. The research was carried out in the health sector specifically and not all the governmentinstitutions which creates research gap. Another study by Mugo (2013) to find out how internal controls influenced financial performance of Kenyan learning institutions streamlined its efforts to learning institutions and not specifically the statutory bodies such as the National Roads Fund Agency which created a research gap.

In a study by Keitany (2015) on the effect of risk management on the delivery of public service delivery in Kenya's government owned institutions, the study focused on delivery of service and the financial performance thus, generating a conceptual gap.

In the final analysis, all the studies accounted for in this study were done in other countries. This also creates a research gap. As such this research proposes to examine the effect of financial management on financial performance of public sector organization, the National Roads Fund Agency to close the gap in terms of the conceptual gap, geographic gaps and many others revealed in the literature account.

2.7 Summary

Literature review has demonstrated that financial management practices such as budgeting, internal controls, risk management, and financial reporting involve asking how to make that decision-making in public sector organizations lead to enhanced financial performance of such organizations. The theoreticalassessment of financial management and financial performance model bestow elucidations on how decision-making in public financial management can give account of their financial performance with specific reference to revenue generation, cost efficiency and return on investment. There has been adequate empirical literature as regards the construct from across the globe though with its own gaps particularly the fact that no dedicated studies have been sufficiently done in the Zambian context. For other researches, conceptual gap was revealed. This proposed study will endeavour to close that gap.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

The methodology that was employed in navigating around the research problem is provided in this chapter. The chapter delineates the research design to be applied, the research approach and justification, sampling techniques that were utilized, the proposed sample size, and data collection methods. It also bestows the proposed data analysis techniques used, how reliability and validity of research were assured, and a consideration of ethical issues.

3.2 Theoretical Framework of Methodology

3.2.1 Research paradigm/philosophy

A research philosophy is a group of shared positions of researchers on how research must be. It is a rudimentary configuration of how a study should be conducted (Creswell and Clark, 2014). Research philosophies are: critical theory, positivism, and interpretivism.

In the study the researcher utilized a positivity research philosophy. A positivist research philosophy is one that understands precision to be independent of human components to the degree that a researcher is considered to be an unbiased observer in a study (Creswell and Clark, 2014). This study formulated apt questions about the causal relationship between the public financial management and financial performance of the National Roads Fund Agency, through an even-handed scrutiny of the concept at hand developing from the generation of numeric facts from the closed-ended questions in the research instrument that were used.

The foundation for the choice of this research philosophy was that there are numerous empirical studies done to investigate the effect of financial management on financial performance of public institutions across the globe such as a study by Kamau (2014) on Financial Management and Performance of Commercial Stateowned Enterprises in Kenya. This research was specifically focused on providing a treatment to the effect of financial management on financial performance of the agency in the country.

3.2.2 Research Approach

There are essentially two approaches that can be used in giving a treatment to evaluations emanating from research. These are Inductive approach and Deductive approach. It must be pointed out that inductive approach, is utilized when the research is aimed at providing empirical evidence on concept (Bryman, 2008). This is utilized when research starts with observations on a phenomenon so as to formulate a theory. Inductive approach moves from a specific setting to a general setting. Conversely, deductive approach, is applied when research is directed towards the generation of research questions from a model, and the experiential data created in a study is used to make logical conclusions. Deductive approach flows from a general setting to a specific standpoint.

Numerous empirical studies have been done on the public financial management and financial performance of institutions globally that have revealed that the causality flowing from financial management to financial performance. In the research, deductive approach was used as this research was focused on generating rational inferences on the effect of financial management on the financial performance of the National Roads Fund Agency. In short, the aim of the study was not to generate a new model, but rather to make an investigation on the research questions based on the primary data to be obtained and the empirics that exist on the construct.

3.2.3 Time horizon

There are two, time horizons that can be used in research. These are cross-sectional time horizon and longitudinal time horizons. A cross-sectional time horizon involves examination of a concept at one point in time. Horizontal time horizon involves investigating a phenomenon at more than one point-in-time.

In the study, a cross-sectional time horizon was used to navigate around the research problem. The study involved making observations on the effect of financial management on the financial performance of public institutions specifically NRFA only once.

3.2.4 Research Strategy

3.2.4.1 Correlational Research Strategy

This was used to delineate the linkage between the research variables. The principal object of the study was to gauge the effect of financial management on the financial performance NRFA. This strategy was applied because the researcher has far-reaching earlier knowledge of the principal study variables which were scrutinized from the literatures.

Correlational research commences with a supposition posting a linkage between the two variables under study (Creswell 2013). Consequent data was collected seeking to establish the correlation between the two variables.

3.3 Empirical Aspects of Methodology

3.3.1 Target Population

Target population comprises those elements or entities researchers has interest in, and have the information that answer the research questions (Creswell, 2013). Population thus, is the whole group of elements, individuals or indeed objects having a common perceptible feature. The research was conducted in Central and Copperbelt provinces, Zambia. The two provinces were chosen on account of the fact that they had a provincial NRFA office and four tolling points. The respondents included: finance managers, accountants, risk managers and toll collectors from the two provincial office and the four toll gates

3.3.2 Sampling Technique and Sample size

Sampling technique is a scheme used to extract a sample from a target population (Temba, 2019). Sampling technique is thus, a process employed in electing respondents who will participate in research from the target population. The study utilized purposive sampling technique where only persons conversant with the information relevant to this study were included in the study as this sampling technique is reliable and appropriate for the research study.

The study thus, adopted a census with the sample size being 60 respondents. Creswell (2013) contends that when small population is available and has sufficient information to answer to the research questions, a census sampling can be adopted.

3.3.3. Data Collection

In this study both primary and secondary data were utilized. Primary data was collected with the help of a questionnaire.

3.3.3.1 Primary data

To collect data from respondents, questionnaires containing close-ended questions were utilized. The research structured the questionnaires into sections premised on research questions or objectives. Some of the questions in the questionnaire were structured on five-point Likert scale where 1=strongly disagree and 5=strongly agree. The questionnaires were applied on account of their ability to contain fixed responses.

3.3.3.2 Secondary data

Documentary sources will be used to gather secondary data. The secondary data in the study was collected from authorized documents that were relevant to the research problem at hand. Document analysis was used to obtain the in-depth description of public financial management and financial performance of the public sector institutions. Nevertheless, documentary review was used to explain the theoretical framework of public financial management and illuminate primary data, which was collected using the questionnaires.

3.3.4 Data processing and analysis

Analysis involves computing some measures coupled with a search for linkages that exist among the data set. Data was gathered, abridged and analyzed with the aid of Software Package for Social Scientist (SPSS) Version 20. The correlation coefficients were used to make meticulous analyses of the collected data. Content analysis was applied to get descriptive statistics that included mean and standard deviation to draw valid conclusions for the study. The study findings were structured and provided in the word format and numbers using frequency tables and charts.

3.4 Reliability, validity, and generalizability of research findings

3.4.1 Reliability of research findings

Reliability is the extent to which findings of a study are consistent overtime (Saunders et al., 2012). Reliability is a gauge of the precision of the measurement techniques applied. Reliability of the research instrument will be assured by piloting the instruments the actual data collection. This will be done to check if the instrument was able to provide consistent answers from different respondents.

3.4.2 Validity of research findings

Validity is the degree to which the drawn conclusions are correct and evocative as regards the study findings. Validity is the extent which the analyzed data represent actual measures (Yin, 2013). Validity only subsists when the collected data measures what it is intended to measure.

The researcher sought supervisor's opinion in order to improve the instruments' validity. The researcher also sought advice from experts in the field of financial management.

3.4.3 Generalizability of research findings

Generalizability is the extent to which the findings of a study can be concluded on to a target population. To make sure there was generalizability of the research outcomes, the researcher ensured that the findings of the research are credible enough. This was done by ensuring that the research findings were reliable and valid.

3.5 Ethical and access issues

3.5.1 Accessibility

Accessibility is an essential aspect of any research work. Accessibility of the data cannot be overly emphasized. In assuring accessibility of the findings, the researcher made sure that the findings were made available on apt platforms where they could effortlessly be accessed.

3.5.2 Research Ethics

Ethics in research works drives a researcher to behave with integrity and abide by the established standards of research work (Gajjar, 2013). It makes sure that no person is harmed in the course of data collection. The research got permission from the top leadership in the statutory body, using an introduction letter from ZCAS University. The letter explained the purpose for data collection data as for academic purposes only. The researcher was committed to maintaining the confidentiality of the prospective respondents as well as that of the information which were shared. Informed consent by the respondents was as well signed before commencement of data collection. Participation was purely on voluntary basis and those not contented to take part was excluded. The study abode by the apt citation to avoid plagiarism.

3.6 Chapter Summary

In the research, a correlational research designs was utilized in evaluating the effect of financial management on financial performance of the Agency. The respondents were sampled using purposive sampling techniques, and given questionnaires in an attempt to gather the data needed in affording answers to the questions raised in the research. Validity of the findings of the research was a must through the use of appropriate data collection instruments and the analysis techniques. The researcher ensured there was reliability and generalizability of the outcomes of the study by carrying out a route-finder test on a population with similar features as the Agency as well as consulting the supervisor and other experts as much as possible in the research process.

CHAPTER FOUR

FINDINGS, ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter provides the findings and analysis of the effect of public financial management on the financial performance of public institutions in Zambia; a case study of the National Roads Fund Agency, NRFA. The chapter is chiefly focused on the findings, data analysis and discussions which reliably achieved the objectives of the study in assessing the effect of public financial management on financial performance of the agency.

4.1 Response Rate

The study surveyed 60 respondents who comprised finance managers, accountants, risk managers and toll collectors from which 47 respondents appropriately filled in the questionnaires and returned them resulting into a response rate of 78.3%. This response rate was representative enough and measured up to Mugenda and Mugenda (1999) claim that a response rate of 50% is acceptable for data analysis and reporting of the findings; a response rate of 60% is good and a response rate of 70% and above is excellent.

Response rate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	78.3	78.3	78.3
	No	13	21.7	21.7	100.0
	Total	60	100.0	100.0	

Table 1: Response Rate

4.2 Socio-demographic characteristics of the Respondents

This segment gives detail of the descriptive statistics obtained from demographic features of the respondents in the study. Descriptive statistics are essentially methods utilized in the description of the features of the biographical data of the respondents premised on the study (Gupta, Guha and Krishnaswami, 2013). The biographic information include: respondents' gender, length of service at the agency, level of education, and the department to which the respondent belongs.

4.2.1 Gender distribution

The research sought to find out the gender distribution of the respondents as it sought representative results from the population of interest, and this minimized biasness. The study established that the male folk had a significant representation in the study. The statistical outcomes are shown in the table that follows:

Gender distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	28	46.7	59.6	59.6
	Female	19	31.7	40.4	100.0
	Total	47	78.3	100.0	
Missing	System	13	21.7		
Total		60	100.0		

Table 2: Gender distribution

Gender distribution was an essential consideration in the study as argued by Smith and Johnson (2015) who posited that gender balanced teams are more equipped to isolate risks and thus, lead to enhanced financial performance.

4.2.2 Length of service at the agency

The study further asked the respondents to state the number of years that they had served at the agency. This was critical as the number of years served at the agency was a cardinal in understanding the public finance management practice at the agency. The statistical outcomes were as given in the table that follows:

Length of service at the agency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Between 1-3years	3	5.0	6.4	6.4
	Between 4-6 years	10	16.7	21.3	27.7
	7-9years	17	28.3	36.2	63.8
	Between 10-12 years	16	26.7	34.0	97.9
	Above 12 years	1	1.7	2.1	100.0
	Total	47	78.3	100.0	
Missing	System	13	21.7		
Total		60	100.0		

Table 3: Length of service at the agency

The findings were that 36.2 % of the respondents had served the agency for a period of 7 to 9 years, 34.0% had been with the agency for 6 to 10 years, 31.3% had worked for 4 to 6 years, and 6.4% and 2.1% indicated that they had served at the agency for a period of 1 to 3 years and above 12 years respectively. This indicates that a significant proportion of the respondents had adequate knowledge of public financial management practice at the agency. According to Boudreau and Ramstad (2005) employee tenure is critical in that employees with an extended length of service have an in-depth understanding of financial management practices and the financial performance of the organization.

4.2.3 Education attainment

The study further sought to find out the qualifications, thus, the expertise of staff at the agency. The statistical outcomes show that 53.2% of the respondents had Bachelors Degree, 36.2% had a Diploma and 10.6% had Masters Degree.

Education attainment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	17	28.3	36.2	36.2
	Bachelors	25	41.7	53.2	89.4
	Masters	5	8.3	10.6	100.0
	Total	47	78.3	100.0	
Missing	System	13	21.7		
Total		60	100.0		

Table 4: Education attainment

From the statistical outcomes, it can be seen that the respondents had attained appropriate level of education to be able to understand public financial management and financial performance at the agency. Deming and Kahn (2018) suggest that employees with higher education attainment enhanced skills and knowledge to execute sound financial management and enhanced financial performance.

4.2.4Department to which a respondent belonged

The study also sought to find out the departments to which the respondents belonged. The table that follows indicates the statistical outcomes of the responses:

Department					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounts and Finance	18	30.0	38.3	38.3
	Revenue	21	35.0	44.7	83.0
	Audit	4	6.7	8.5	91.5
	Administration	4	6.7	8.5	100.0
	Total	47	78.3	100.0	
Missing	System	13	21.7		
Total		60	100.0		

Table 5: Department

The research findings show that 44.7% of the respondents operated the Revenue unit internal, 35.0% in the Accounting and Finance department, and 8.5% of the respondent were from the Audit unit and 8.5% from the administration section. The statistical outcomes indicate that the sections of the agency that were affected by the public financial management and financial performance of the agency were adequately represented in the research. Knowledge of the department is critical as different departments have distinct financial management practices (Prendergast, 2003).

4.3 Financial Management Practice at the agency

The respondents were asked to indicate the extent to which they affirmed or disagreed to the statements on financial management practice at the agency. This section details the experience of the respondents as regard the financial management practice. Understanding the financial management practice is pertinent as it enables one to establish the financial integrity of an institution which is key for enhanced financial performance.

Positive assertion (strongly agree and agree) were construed as affirmation, whilst negative assertions (disagree and strongly disagree) were translated as disagreement. The mean score was utilized to demonstrate the echelon of affirmation and disagreement. The statistical outcomes on this aspect were as given in the table that follows:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Budgets are made at departmental level	47	2	5	3.87	.647
Financial activities of the agency are strictly monitored by a specialized team	47	2	5	3.83	.670
The agency has a strong financial accounting controls in place	47	2	5	3.94	.673
The agency has an integrated risk management in its objectives	47	2	5	3.89	.667
Valid N (listwise)	47				

Table 6: Financial Management practice at the agency

The statistical outcomes in the table given above vividly show that the respondents affirmed to the statement budgets were made at departmental level. This is exhibited by the mean value of 3.87, which was of the order of 4 and a standard deviation of 0.647. The participants of the study were also asked to show the extent to which they affirmed or disagreed to the statement that financial activities of the agency were strictly monitored by a specialized team. The mean score of the responses to this statement was 3.83, which was approximately 4 with a standard deviation of 0.670. The mean score indicated that the respondents affirmed to the statement on financial activities of the agency being strictly monitored by a specialized team.

The study further sought to find out the extent to which the respondents agreed or disagreed to the statement that the board comprised both executive and non-executive members. The mean value of the responses regarding the statement was 3.79, which was approximately 4 with a standard deviation of 0.803. This mean score indicated that the respondents affirmed to the fact that the board of the corporation comprised both executive and non-executive members.

The researcher also sought to establish the degree to which the respondents agreed or disagreed to the statement that there was separation of the position of CEO from the Board Chairman of the Corporation. The mean score of the responses to the statement was 3.83, which rounded off to the nearest whole number was 4, with a standard deviation of 0.813. This mean value denoted that the respondents agreed to statement that there was separation of the position of CEO from the Board Chairman of the Corporation.

The study further sought to ascertain the magnitude to which the respondents agreed or disagreed to the statement that there were adequate internal control mechanisms in place to monitor financial transactions in the corporation. The mean score of the responses as regards the statement was 3.77, which was approximately 4 with a standard deviation of 0.757. This mean value denoted that the respondents affirmed to the statement that there were adequate internal control mechanisms in place to monitor financial transactions in the corporation.

4.4 Effect of budgeting on financial performance of the agency

One of the specific objectives of the study was to make a meticulous evaluation of the effect of budgeting on financial performance of public institutions in Zambia, specifically the National Roads Fund Agency. The respondents were thus, asked to indicate the degree to which they affirmed to the statements on budgeting and financial performance of the agency. The statistical outcomes were as given in the table that follows:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The participation of employees in the budget preparation has enhanced the revenue generation by the agency	47	2	5	3.68	.695
The open feedback mechanism has enhanced our budgeting process and ultimately the Return on Investment	47	2	4	3.79	.463
Spending reviews are conducted at departmental level to enhance the Cost efficiency at the agency	47	3	5	3.83	.433
Valid N (listwise)	47				

Table 7: Effect of budgeting on financial performance of the agency

As can be observed from table 7, the respondents affirmed to the statement that there was participation of employees in the budget preparation and this enhanced the revenue generation by the agency. This indicated by the mean score of 3.68, which was, approximately 4 and a standard deviation of 0.695. This agrees with the study by Maritim (2013) on how budgeting influenced financial performance in the Kenyan commercial and manufacturing state enterprises in which it was agreed that allowing workers of the organization to be part and parcel of the budgeting process led to successful actualization of the organizational plans.

It was also indicated that the respondents affirmed to the statement that the open feedback mechanism had enhanced their budgeting process and ultimately the Return on Investment as can be seen from the mean value of 3.79, which was, approximately 4 and a standard deviation of 0.463. The study further established that the Spending reviews were conducted at departmental level to enhance the Cost efficiency at the agency. This was evidenced by a mean score of 3.83, and a standard deviation of 0.433.

4.5 Effect of financial reporting on financial performance of the agency

Apart from the aforestated specific objective, the study made a meticulous assessment of the effect of financial reporting on financial performance of the National Roads Fund Agency. The respondents were in this respect, asked to show the extent to which they agreed to the statements on financial reporting and financial performance of the agency. The statistical outcomes were as given in the table that follows:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Informing the stakeholders on the finances of the agency leads to enhanced cost efficiency at the agency	47	3	5	3.89	.375
Compliance to the financial reporting standards leads to enhanced Return on Investment	47	3	4	3.85	.360
The recording of financial transactions enhances the Return on Investment at the agency	47	3	5	3.89	.375
Valid N (listwise)	47				

Table 8: Effect of financial reporting on financial performance of the agency

As indicated from table above, the respondents agreed to the statement that informing the stakeholders on the finances of the agency led to enhanced cost efficiency at the agency. This is shown by the mean value of 3.89, which was, approximately 4, and a standard deviation of 0.375. It was further shown that the respondents agreed to the statement that compliance to the financial reporting standards led to enhanced Return on Investment. This is shown by the mean score of 3.85, which was, approximately 4 and a standard deviation of 0.360. The study also established that the recording of financial transactions enhanced the Return on Investment at the agency. This was shown by a mean value of 3.89, and a standard deviation of 0.375. Abdullahi and Gichinga (2018) on the effect of financial reporting on financial performance of Somalia Civil Aviation and Meteorology Authority (SCAMA) revealed that financial reporting had a good explanatory power on SCAMA's financial performance. The study findings agree with a study by Abdullahi and Gichinga (2018) in which it was affirmed that 14.8% of the deviation in the financial performance of the firms under study was explained by financial reporting at a degree of freedom of 5%.

4.6 Effect of internal control mechanisms on financial performance of the agency

In the third specific objective, the study evaluated the effect of internal control mechanisms on financial performance of the National Roads Fund Agency. The respondents were in this regard, tasked to demonstrate the degree to which they affirmed to the statements on internal control mechanisms and financial performance of the agency. The statistical outcomes were as given in the table that follows:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Employees having separate roles in handling the finances has improved revenue generation at the agency	47	3	5	3.94	.323
Using IT controlled systems has enhanced cost efficiency at the agency	47	3	4	3.94	.247
Regular audits lead to enhanced Return on Investment at the agency	47	3	5	3.98	.254
Valid N (listwise)	47				

Table 9: Effect of internal control mechanisms on financial performance of the agency

As can be seen from table above, the respondents to the study agreed to the statement employees having separate roles in handling the finances had improved revenue generation at the agency. This is demonstrated by the mean score of 3.94, which was, approximately 4, and a standard deviation of 0.323.

The study had also shown that the respondents agreed to the statement that using IT controlled systems had enhanced cost efficiency at the agency. This was shown by the mean value of 3.94, which was, approximately 4 and a standard deviation of 0.247. The study further showed that the regular audits led to enhanced Return on Investment at the agency. This was shown by a mean value of 3.98, and a standard deviation of 0.254. The results are consistent with the findings of

Tinega, Nyamita and Nyakundi (2014) in which it was agreed internal controls had a considerable effect on returns on assets and investments of small businesses.

4.7 Effect of risk management on financial performance of the agency

For the fourth specific objective, the study assessed the effect of risk management on financial performance of the National Roads Fund Agency. The respondents were in this case, tasked to show the extent to which they agreed to the statements on risk management and financial performance of the agency. The statistical outcomes were as given in the table that follows:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Adherence to the set rules and regulations enhances revenue generation at the agency	47	3	5	3.87	.397
The risk management system is aimed at enhancing cost efficiency at the agency	47	3	4	3.89	.312
Conducting assessments enhances Return on Investment at the agency	47	3	5	3.94	.323
Valid N (listwise)	47				

Table 10: Effect of risk management on financial performance of the agency

As can be seen from statistical outcomes table above, the respondents to the study agreed to the statement adherence to the set rules and regulations enhanced revenue generation at the agency. This was shown by the mean value of 3.87, which was, approximately 4, and a standard deviation of 0.395.

The study had also shown that the respondents agreed to the statement that risk management system was aimed at enhancing cost efficiency at the agency. This was indicated by the mean value of 3.89, which was, approximately 4 and a standard deviation of 0.312. The study further demonstrated that the assessments enhanced Return on Investment at the agency. This was demonstrated by a mean value of 3.94, and a standard deviation of 0.323. The results agree with the study by Muriungim et al., (2017) in which it was agreed that risk management did affect the financial stability of State-Owned Enterprises in Kenya.

4.8 Regression Analysis Summary

A multiple regression analysis was conducted to supplement the descriptive statistics. This was done in order to test the nature and magnitude of effect of the four components of financial management practice which were budgeting, financial reporting, internal control system and risk management. With the help of regression coefficient of determination, the study explained the extent to which variations in the dependent variable (financial performance) was accounted for by the variation in the independent variable (components of public financial management practice).

4.8.1 The Multiple Regression Model

The regression model of the dependent variable, financial performance and the collection of independent variable components were obtained from the statistical outcomes table that follows:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.050	1.238		.848	.401	-1.447	3.547
	Budgets are made at departmental level	.150	.436	.092	.344	.733	-.730	1.030
	Financial activities of the agency are strictly monitored by a specialized team	.300	.700	.138	.429	.670	-1.111	1.711
	The agency has an integrated risk management in its objectives	.200	.762	.105	.263	.794	-1.336	1.736

a. Dependent Variable: Improved financial performance of the corporation

Table 11: Coefficients of multivariable regression analysis

The regression equation being studied is modeled as follows:

$Fin\ Perf = 1.050 + 0.150Bud + 0.300Fr + 0.200Rm$

From the statistical outcomes, the regression coefficient of the budgeting component was 0.150. This implies that a percentage point enhancement in the budgeting at the agency, led to the financial performance of the agency to increase by 0.150. The regression coefficient of the financial reporting component was 0.300. This implies that that a percentage point enhancement in the financial reporting led to the financial performance of the agency to increase by 0.300. The regression coefficient of the risk management component was 0.200. This simply means that a percentage point enhancement in the risk management led to the financial performance of the agency to increase by 0.200.

4.8.2. Model summary

The model summary of findings was as shown in the table that follows:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.315[a]	.099	.036	.602

a. Predictors: (Constant), The agency has an integrated risk management in its objectives, Budgets are made at departmental level, Financial activities of the agency are strictly monitored by a specialized team

b. Dependent Variable: Improved financial performance of the corporation

Table 12: Model Summary of multivariable regression analysis

The explained variable, financial performance of the agency in the regression model creates a regression model with a coefficient of determination, R^2 = 9.9% and adjusted R^2 = 3.6% implying that 9.9% of the change in the financial performance of the agency was explained by the variation in the independent variable components of the study which included budgeting, financial reporting and risk management systems at the agency. Therefore, the R^2 indicates that the independent variables were not so efficient in forecasting the financial performance of the agency.

4.9 Chapter summary

Based on the findings in the previous chapter, various findings have come into sight. The main objective of this study was to ascertain the impact of financial management practice on the financial performance of the National Roads Fund Agency. The statistical outcomes given in the tables in the preceding chapter have clearly shown that there was a public financial management framework at the agency. The complete mean score obtained for each of the financial management components of was about 4. This indicates that the agency had an effective public financial management system in place. The research further established that the agency had recorded a robust performance in so far as financial performance indicators were concerned. This was evidenced by a mean score of approximately 4. The study further established that the respondents affirmed to the statements on the impact of financial management of financial performance of the agency.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter presented the findings, analysis and a discussion of the interpretations. This chapter provides a summary of the findings and the inferences of the study based on the specific objectives. The chapter further provides recommendations extracted from the objectives of the study, the study findings and the conclusions made. Additionally the chapter also provides the limitations of the research and directions for future research endeavours.

5.2 Summary of the Findings

5.2.1 Demographic characteristics of the respondents

It was discovered that the study had a disparity in terms of gender distribution with the male folk having a significant representation, and significant proportion of the respondents had adequate knowledge of public financial management practice at the agency. The study further discovered that the respondents in the study had apt level of education to understand public financial management and financial performance at the agency. It was also discovered that all the departments of the agency that were affected by the public financial management and financial performance of the agency had adequate representation.

5.2.2 Budgeting and financial performance

It was discovered that budgeting had an effect on financial performance of the agency. The support or substantiation to this statement was in the mean scores of the respondents' responses to the statement on this component of the public financial management practice. The mean value to the statement that there was participation of employees in the budget preparation and this enhanced the revenue generation by the agency were 3.68 which when rounded off to the nearest whole number was 4, and the mean score to the statement that the statement that the open feedback mechanism had enhanced their budgeting process and ultimately the Return on Investment was 3.79, which was basically 4 when rounded off to the nearest whole number. The study also found that the spending reviews were conducted at departmental level to enhance the cost efficiency at the agency. This aspect of the budgeting component was evidenced by a mean value of 3.83, with a standard deviation of 0.433.

Regression analysis was however conducted to measure the magnitude of the influence of this aspect of financial management practice on financial performance of the agency. A regression analysis conducted had indicated that the budgeting component of the public financial management did not have a significant influence on the financial performance of the agency. This was evidenced by the beta values of the budgeting component and the coefficient of determination, which indicated that the aspect of the independent variable was unsuccessful in giving an explanation to the effect on the financial performance of the agency.

5.2.3 Financial reporting and financial performance

The study findings revealed that financial reporting had an influence on financial performance of the agency. The evidence to this statement was found in the mean scores of the respondents' responses to the statements on this aspect of the public financial management practice at the agency. On the statement that informing the stakeholders on the finances of the agency led to enhanced cost efficiency at the agency the mean value of 3.89, which was, essentially 4 with a standard deviation of 0.375, and the mean score to the statement that compliance to the financial reporting standards led to enhanced Return on Investment was 3.85, which was, basically 4 and a standard deviation of 0.360. The study also found that the recording of financial transactions enhanced the Return on Investment at the agency. This was shown by a mean score of 3.83, with a standard deviation of 0.433.

From the regression analysis that was conducted the financial reporting aspect of the public financial management practice did not have a significant effect on the financial performance of the agency. This was seen in the beta values of the financial reporting component, and the coefficient of determination, which had shown that the aspect of the explanatory variable was ineffective in explaining the influence on the financial performance of the agency.

5.2.4 Internal control mechanisms and financial performance

The study revealed that internal control mechanisms had an effect on financial performance of the agency. The support to this very statement was in the mean scores of the respondents' responses to the statements on the element of the public financial management practice at the agency. On the statement that employees having separate roles in handling the finances had improved revenue generation at the agency, the mean score was 3.94, which was, approximately 4, and a standard deviation of 0.323. This shows that according to the respondents this aspect of public financial management practice had an effect on the financial performance of the agency. And the mean score to the statement that using IT controlled systems had enhanced cost efficiency at the agency was 3.94, which was approximately 4 with a standard deviation of 0.247 indicating that the internal control mechanisms had an effect on the financial performance. The study further showed that the regular audits led to enhanced Return on Investment at the agency. This was evidenced by a mean value of 3.98, and a standard deviation of 0.254.

From the regression analysis that was performed during the study, the internal control mechanism aspect of the public financial management practice did not have a significant effect on the financial performance of the agency. This was evidenced in the beta values of the internal control mechanisms component, and the coefficient of determination, which had indicated that the aspect of the independent variable was not effective enough in explaining the influence on the financial performance of the agency.

5.2.5 Risk management and financial performance

The study findings revealed that risk management had an influence on financial performance of the agency. The evidence to this statement was found in the mean scores of the respondents' responses to the statements on this aspect of the public financial management practice at the agency. On the statement that to the set rules and regulations enhanced revenue generation at the agency the mean value of 3.87, which was, essentially 4 with a standard deviation of 0.395, and the mean score to the statement that that risk management system was aimed at enhancing cost efficiency at the agency was 3.89, which was, basically 4 and a standard deviation of 0.312. The study also found that the assessments enhanced Return on Investment at the agency. This was shown by a mean score of 3.94, with a standard deviation of 0.323.

The regression analysis conducted exhibited that the risk management aspect of the public financial management framework at the agency did not have a significant effect on the financial performance of the institution. This was seen in the beta values of the financial reporting component, and the coefficient of determination, which had indicated that the element of the independent variable was not effective in giving an explanation to the influence on the financial performance of the agency.

5.3 Discussion of Results

5.3.1 Effect of Budgeting on Financial Performance

The study established that the agency permitted participation of employees in the budget preparation process and this had enhanced the revenue generation by the agency. The findings of the study are consistent with the findings of Maritim (2013) who suggested that budgetary sophistication, participation and planning were three principal practices among the studies institutions and that employee participation in budget preparation had greatly enhanced improved performance of the organizations.

The study further established the presence of open feedback mechanism which had enhanced the budgeting process and ultimately the Return on Investment. The findings of the study on the fact that open feedback mechanism had enhanced the budgeting process thus, leading to greater financial performance was also consistent with the findings by Maritim (2013) who assessed how budgeting processes impacted on the financial performance and established that feedback mechanism had proved to be critical in the actualization of the budgets.

The study also established that spending reviews which were conducted at departmental level to enhance cost efficiency and thus financial performance at the agency. This is consistent with the findings by Gekonde (2013) who investigated the influence of performance budgeting on the management of parastatals in Kenya and established that spending reviews were significant in giving explanations to the difference in the management of parastatals in Kenya.

The findings were as a matter of fact in line with the postulation by Kung et al (2013) who noted in their research that there was a positive affiliation between budget planning, budget emphasis and the performance of the management as well as that of the institution.

5.3.2 Effect of financial reporting on Financial Performance

The study established that the agency informed the stakeholders on the finances of the agency and this led to enhanced cost efficiency at the agency. The study further established that compliance to the financial reporting standards led to enhanced Return on Investment and that the recording of financial transactions enhanced the Return on Investment at the agency. The findings of the study are indicative of the fact that informing stakeholders on finances culminated into improved financial performance. Financial reporting according to Nyakundi et al., (2014) is the revelation of financial data to stakeholders about the financial performance of an organization.

5.3.3 Effect of internal control mechanisms on Financial Performance

The study established that employees having separate roles in handling the finances had improved revenue generation, using IT controlled systems had enhanced cost efficiency, and regular audits led to enhanced Return on Investment at the agency. These study finding are consistent with the findings by Muhunyo (2018) who found that internal control mechanisms had an effect on the financial performance of institutions of higher learning in the Nairobi City County.

5.3.4 Effect of risk management on Financial Performance

The study established that adherence to the set rules and regulations enhanced revenue generation at the agency. The findings of the study are line with Keitany (2015) who established that state-owned institutions had followed the assigned rules and regulations which helped in cutting losses whilst improving the returns.

The study further established that agency espoused risk management systems that were aimed at enhancing cost efficiency at the agency, and conducted assessments that enhanced returns on investment at the agency. The findings conform to the findings by Keitany (2015) who established that government owned agencies had adopted operational risk management practices and other universally utilized practices for enhanced financial performance.

5.4 Conclusions

The study was focused on evaluating the impact of financial management practice on financial performance at the National Roads Fund Agency, NRFA. The study had four specific objectives, which were achieved through an in-depth assessment of the data gathered chiefly through the self-administered questionnaire to the staff from management, internal audit, accounting and finance unit and revenue collection unit. Public financial management is one of the most popular vehicles utilized by public sector institutions in the improvement of financial performance. Most public sector organizations fail to post robust financial performance on account of not practicing sound public financial management.

The study employed both quantitative data sets in making the assessment. Quantitative data set was generated by closed ended questions in the self-administered questionnaire. Thus, detailed conception of the impact of the public financial management was sufficiently absorbed and the research outcomes were more probable to be feasible. The methodology embarked on in the study made it possible for the researcher to attain reasonable conclusions.

The study had focused on assessing the impact of corporate governance framework on the financial performance of the Zambia Electricity Supply Corporation, Headquarters in the city of Lusaka. The study had three specific objectives, which were achieved through a detailed assessment of the data gathered chiefly through a self-administered questionnaire given to the staff from various departments of the agency. Public financial management, in this era, is one of the most popular frameworks used in improving financial performance of public sector institutions. Most of the public institutions, NRFA, inclusive, do not post high financial performances on the basis of lack of public financial management practice. This makes financial performance of these organizations not be that strong.

5.4.1 Effect of budgeting on financial performance

Regarding the first study objective, the findings of the research on the effect of budgeting on the financial performance of the agency were that the participation of employees in the budget preparation enhanced the revenue generation by the agency, which in turn led to some enhancement in the financial performance of the institution. It can thus be inferred that employees' participation in budgeting, enhanced financial performance of the agency. It was further concluded based on the findings that the open feedback mechanism had improved their budgeting process and ultimately the return on investment. The study revealed that the spending reviews that were conducted at departmental level led to enhancement in the cost efficiency and thus, the financial performance at the agency. This implies that budgeting, a component of public financial management has a positive effect on the financial performance of public institutions.

5.4.2 Effect of financial reporting on financial performance

It can be inferred from the study revelations that giving information to stakeholders on the finances of the agency led to enhanced cost efficiency at the agency. It can also be inferred from the findings of the study that compliance to the financial reporting standards led to enhanced return on investment at the agency. The study findings also revealed that recording of financial transactions enhanced the return on investment at the agency. On the whole, it can be concluded that financial reporting led to enhanced financial performance of the agency.

It can be inferred from the foregoing that financial reporting, an element of public financial management has a positive impact on the financial performance of public institutions.

5.4.3 Effect of internal control mechanisms on financial performance

It can be inferred from the study revelations that employees having separate roles in handling the finances had led to improved revenue generation at the agency. It can further be inferred from the findings of the study that using IT controlled systems had led to enhanced cost efficiency at the agency. The study findings further revealed that regular audits lead to enhanced return on investment at the agency.

It can thus, be inferred that internal control mechanisms in place had led to enhanced financial performance at the agency and of course public institutions in Zambia.

5.4.4 Effect of risk management on financial performance

It can be inferred from the study that adherence to the set rules and regulations enhances revenue generation at the agency. It can also be inferred from the findings of the study that the risk management system which was aimed at enhancing the cost efficiency at the agency led to improved financial performance of the agency. The study further concluded that conducting assessments enhanced return on investment at the agency. It can thus, be concluded that risk management system put in place had led to enhanced financial performance at the agency.

5.5 Practical/managerial implications of findings/Recommendations

A study of this nature has to come into view with practical recommendations that are based on the study findings to aid in the deciphering the numerous hiccups related to public financial management practice in public sector organizations. From the researcher’s stand point, it is crucial that the following recommendations are given, which if considered will go a long way in the improvement of the standard of financial performance at the agency and many other public institutions in general. The researcher in other words, envisions that if these recommendations are taken on board and put into action, the financial performance of the public sector organizations in the country would greatly be enhanced. The recommendations are set out as follows:

5.5.1 Policy making

This study strongly recommends that policy making should be aligned in such a way that it promotes efficiency in the public financial management practice in various public institutions. The policy makers should in this regard ensure that they make deliberate attempts to ensure that the financial regulations and guidelines that pertain to the management of funds or finances in the public sector organizations are aligned to the best practices that have been isolated in this study. This will ensure that there is prudence in the utilization of public resources and ultimately the financial performance of the public sector organizations such as the National Road Fund Agency, NRFA.

5.5.2 Stakeholder engagement

The study further recommends that the public sector institutions should ensure that they foster strong collaboration and communication among the various stakeholders. These stakeholders include: government ministries, other government agencies that have linked mandates, regulatory bodies and the civil society organizations, CSOs. This it is envisioned will stimulate transparency and accountability in the financial management practices in various government institutions. This will ultimately lead to enhanced financial performance of public institutions.

5.5.3 Incentive systems

The study also recommends that the public sector agencies and authorities put in place structures or systems that are performance-premised and that these rewards should be aligned to the desired financial performance rewards. In this vein, the study strongly recommends that the public sector organizations must make recognition and reward employees that shoe excellence in the public financial management practice and make significant contributions to the desired financial performance of the organizations.

5.5.4 Sustained improvements

This research further recommends that public institutions must ensure that they inculcate a culture of feedback and innovation so that they are able to learn from the successes scored as well their failures. This will enable them to adapt their financial management frameworks accordingly.

5.5.5 Risk Management

The study also recommends that public sector institutions strengthen risk management practices which will enable their various institutions to be able to moderate the inherent financial risks and vulnerabilities that they may be exposed to. The public sector institutions should in this case be able to develop emergency plans and resilience tactics that should be able to mitigate unanticipated confronts and disruptions.

5.4 Limitations of the study and directions for future research

5.4.1 Limitations of the study

This study was undertaken in the National Roads Fund Agency, NRFA offices of the Copperbelt and Central Provinces of Zambia. The basis for the choice of the two study areas was chiefly as a consequence of the easiness of access to the offices and the toll areas where some of the respondents were, inadequacy of research funds and other issues that were beyond the control of the investigator. The Copperbelt province was particularly picked on the premise that the investigator is domiciled there and had found it convenient to combine the Copperbelt province to the Central province as research provinces. It can therefore be pointed out that, the outcome this particular study or research is anticipated to be less perfectly made universal to other public sector institutions with less deviation.

Apart from the afforested, the other significant limitation of this particular study was the limitation in the amount of financial information that some of the respondents had who, were part of this study. This, it must be pointed out could have culminated into erroneous knowledge of the public financial management practices of the agency as well as the financial performance of the agency by some of the respondents.

The other limitation of the study pertained to the research methodology applied. The research largely applied descriptive research design with some treatment of inferential statistics which might not have given comprehensive insights into the effect of the public financial management on financial performance. The other limitation of the study to the National Roads Fund Agency Copperbelt and Central provinces was not representative enough.

The use of primary data in ascertaining the effect of the public financial management on the financial performance of public institutions may not have given the correct picture of the financial management practice as well as the financial performance of the institution. In other words, the study lacked data triangulation.

5.4.2 Directions for future research

The impact of public financial management on improved financial performance of public sector institutions in Zambia was the subject matter of this particular study or research. The study was conducted on the management, internal audit unit, revenue collectors, and accounting and finance staff of the agency on the Copperbelt and Central provinces. Nonetheless, the study findings and conclusions were based on sample size of 60, and were curbed to Ndola, Kabwe and Chisamba Districts of the two provinces only on account of time and financial constraints. This study thus, strongly recommends that any further studies that must be done on this concept should make a deliberate attempt to escalate the sample size enough. It should also make a deliberate endeavor to make the data collection be escalated to other provinces of the country so as to reflect a true picture of the impact of public financial management practice on financial performance in public institutions in the country. The study further makes a recommendation that an altered sampling technique for selecting a sample size and data collection techniques could be utilized in the research.

5.5 Chapter summary

This research made a meticulous assessment of the impact public financial management on financial performance in public sector organizations. To make an effective assessment of the concept under investigation, a self-administered questionnaire was given out to all the respondents to the study for response so that the investigator could get correct data on the ground. The data gathered was analyzed by the help of descriptive statistics method and inferential statistics so as to get the degree of the effect of public financial management practice on the financial performance of the public sector organization involved in this particular case. The main findings from the study were that the public financial management practice makes sure that apt practices are properly followed in the implementation of duty and in making sure that employees of the agency implement policies that are put in place by the management of the agency. In effect, the objective of the public financial management framework is to help the management and other employees of public sector institutions in the efficient and effective discharge of their main duties. This is done by providing the employees and management with regular reviews, analyses, direction and recommendation to make their work be smooth.

It thus be pointed out that public financial management practice at the agency is thus, taken to be a good illustration of an elevated level financial framework that helps in the measurement of and evaluation the effectiveness and efficiency of the agency in terms of its financial performance. The research has clearly shown that public financial management framework in any organization in the public sector. The public financial management framework makes sure that there is appropriate budgeting, financial reporting, internal controls, and risk management that help in ensuring that there is integrity of the decision-making process at the agency, and in turn, culminate into enhanced financial performance at agency.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

th December, 2023

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

<u>RE: RESEARCH INTRODUCTORY LETTER FOR MBUYU LISIMBA (BAA 18106)</u>

This serves to confirm that Ms Mbuyu Lisimba of student number BAA 18106 is a student at ZCAS University. He is enrolled on the Master of Business Administration program and happens to be in her final year of study.

Ms Mbuyu Lisimba is currently working on her research project and NRFA Copperbelt and Central Provinces have been chosen as the main area for reference and research activities. The title of her research is: "*EXAMINING THE EFFECT OF FINANCIAL MANAGEMENT ON PERFORMANCE OF PUBLIC SECTOR ORGANIZATIONS: A CASE STUDY OF NRFA*"**.**

Kindly assist her with any information that may be relevant to him in this regard.

Should you need more information about the student, please do not hesitate to get in touch with the undersigned on the numbers below.

Yours faithfully,

ZCAS University

Mukula Jonathan

DEPUTY REGISTRAR- ACADEMIC

+260977507730/+260967198623

Cc: File

APPENDIX II: QUESTIONNAIRE

SECTION A: SOCIO-DEMOGRAPHIC

Please mark with a cross in the spaces provided

1. What is the gender of the respondent?

A. Male [ ] B. Female [ ]

2. For how long have you worked for the National Roads Fund Agency?

   A. Between 1-3years [ ] B. Between 4-6 years [ ] C. Between 7-9 years [ ] D. Between 10-12years [ ] E. More than 12 years [ ]

3. What is the highest level of education attained by the respondent?

A. Certificate [ ] B. Diploma [ ] C. Bachelors [ ] D. Masters [ ] E. PhD [ ]

4. To which department of the agency do you belong?

   A. Accounts and Finance [ ] B. Revenue [ ] C. Audit [ ] D. Administration [ ]

SECTION B: FINANCIAL MANAGEMENT PACTICE

To what degree do you agree with the following statements on financial management practice at the institution?

Please the key provided below:

1=strongly disagree, 2= disagree, 3=neutral, 4=agree and 5=strongly agree

S/N	Statement	1	2	3	4	5
1	Budgets are made at departmental level					
2	Financial activities of the agency are strictly monitored by a specialized team					
3	The agency has a strong financial accounting controls in place					
4	The agency has an integrated risk management in its objectives					

SECTION C: FINANCIAL MANAGEMENT PACTICE AND FINANCIAL PERFROMANCE OF THE PARASTATAL

A. BUDGETING

5. To what degree do you agree with the following statements on the effect of budgeting on financial performance of the parastatal?

Please the key provided below:

1=strongly disagree, 2= disagree, 3=neutral, 4=agree and 5=strongly agree

S/N	Statement	1	2	3	4	5
1	The participation of employees in the budget preparation has enhanced the revenue generation by the agency					
2	The open feedback mechanism has enhanced our budgeting process and ultimately the Return on Investment					
3	Spending reviews are conducted at departmental level to enhance the Cost efficiency at the agency					

B. FINANCIAL REPORTING

6. To what degree do you agree with the following statements on the effect of financial reporting on financial performance of the parastatal?

Please the key provided below:

1=strongly disagree, 2= disagree, 3=neutral, 4=agree and 5=strongly agree

S/N	Statement	1	2	3	4	5
1	Informing the stakeholders on the finances of the agency leads to enhanced cost efficiency at the agency					
2	Compliance to the financial reporting standards leads to enhanced Return on Investment					
3	The recording of financial transactions enhances the Return on Investment at the agency					

C. INTERNAL CONTROL SYSTEM

7. To what degree do you agree with the following statements on the effect of internal controls on financial performance of the parastatal?

Please the key provided below:

1=strongly disagree, 2= disagree, 3=neutral, 4=agree and 5=strongly agree

S/N	Statement	1	2	3	4	5
1	Employees having separate roles in handling the finances has improved revenue generation at the agency					
2	Using IT controlled systems has enhanced cost efficiency at the agency					
3	Regular audits lead to enhanced Return on Investment at the agency					

C. RISK MANAGEMENT

8. To what degree do you agree with the following statements on the effect of risk management on financial performance of the parastatal?

Please the key provided below:

1=strongly disagree, 2= disagree, 3=neutral, 4=agree and 5=strongly agree

S/N	Statement	1	2	3	4	5
1	Adherence to the set rules and regulations enhances revenue generation at the agency					
2	The risk management system is aimed at enhancing cost efficiency at the agency					
3	Conducting assessments enhances Return on Investment at the agency					

THANK YOU FOR YOUR PARTICIPATION