# FACTORS AFFECTING FINANCIAL LIQUIDITY OF PUBLIC TECHNICAL TRAINING INSTITUTES IN NAIROBI COUNTY, KENYA

**BY**

**RAHAB MUTHONI KIBACIO**
**KCA/05/11361**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE IN COMMERCE (FINANCE AND ACCOUNTING) IN THE SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT AT KCA UNIVERSITY**

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## DECLARATION

I declare that this research project is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Rahab Muthoni Kibacio KCA/05/11361

Signature……. Date ……

I do here by confirm that I have examined the research proposal of

Rahab Muthoni Kibacio

Signature……. Date ……

**Dr. Gladys Bunyasi**

## ABSTRACT

Technical institutions are burdened with financial management risks at various levels of decision making, resource allocation, and utilization which create corruption opportunities and in turn compromise the quality of education. There is need for educational investment to be well handled to ensure maximum production from it and that the little funds available are well expended to ensure careful financial planning, control and administration, specifically in the area of financial liquidity (Reeder, 1998). The study sought to investigate the factors affecting financial liquidity of technical training institutions in Kenya. The research assessed how Management competence, Control activities, and Government financial support affect financial liquidity of Technical institutions. The study was based on the basis that technical institutions education is burdened with financial management risk that compromise the qualities of education. There are significant risks at the various levels of decision making, resource allocation and allocation in technical institutions. This call for investigation on what factors affects technical institutions finance management so that technical institutions remain financially stable by maintaining acceptable liquidity level in the face of strong competitive environment. Thus there was need for the study to be carried on the financial liquidity of technical institutions. The study intended to fill the literature gap. Specifically the study determined the factors affecting financial liquidity of technical institutions in Nairobi County, Kenya. The study was carried out in all the 12 Public Technical Training institutions in Nairobi County. A census survey was used. The design was chosen because the entire population was sufficiently small with a similar socioeconomic and geographical setting; data was gathered on employee of the population. The responsive population of the study was 72 within the Principals, Finance officers, and Accountants of the 12 public technical institutions in Nairobi County. Factor Analysis and Descriptive statistics were used in the analysis of the data, with the help Statistical Package for Social Sciences (SPSS). For purposes of interpretation, the Rotated Component Matrix of the Variables was used. Multiple regression model was used in estimation of the model so as to determine influence of independent variables (Management competence, control activities, government financial support) on the financial liquidity. The study found out that management competence, control activities, and government financial support affect financial liquidity of public technical institutions in Nairobi County, Kenya, with notable degree of influence. The results of the research shows that control activities is very significant factor influencing financial liquidity of technical institution. Management competence and government financial support influence financial liquidity positively with insignificant degree of influence. The study recommends that technical institutions in Kenya should enhance the control activities by adopting more stringent policies and procedures and continuous staff training. The study further recommends that government should enhance the implementation of government financial support activities, and that technical institutions should develop strategies of improving the management competence for proper management of financial liquidity.

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## ACRONYMS AND ABBREVIATIONS

| | | |
|---|---|---|
| TVET | - | Technical Vocational Education and Training |
| MOEST | - | Ministry of Education Science and Technology |
| MoHEST | - | Ministry of Higher Education Science and Technology |
| TVETA | - | Technical and Vocational Education and Training Authority |
| GoK | - | Government of Kenya |
| KUCCPS | - | Kenya Universities & Colleges Central Placement Service |

## DEFINITION OF TERMS

**Liquidity:** The ability of an institution to generate sufficient cash or its equivalent in a timely manner at a reasonable price to meet its obligations as they fall due. (Mainelli, 2007).

**Technical, vocational education and training institutions:** These are institutions offering technical education and training at diploma and certificate levels. ( MoHEST, 2009). They are responsible for producing trained students and trained techno-preneurs.

**The Liquidity Theory:** The theory was developed by Emery in 1984. It states that firms that have cash flow challenges use more credit than those with normal access to credit through the financial institutions. When there are restricted monetary policies in the economy, the offer of credit can account for the reduction of credit being offered by financial institutions.

**Agency theory:** The Agency theory predates to the 1960's when economists identified the potent of spreading risks among groups and individuals (Wilson, 1968).These scholars identified risk sharing as a probable problem that could ensue in the event the parties to it differed in attitude.

**Pecking Order Theory:** The pecking order theory is concerned with the cost of financing. It infers that the choice a company chooses to use in financing its activities usually sends a signal to outsiders. There is an order in which a firm resorts to in financing its activities (Myers & Majluf, 1984).

**Management Competence:** The integrity and ethical values of personnel responsible for creating, administering, and monitoring of financial liquidity, commitment and competence of persons performing assigned duties such as board of directors, management philosophy and operating style in terms of their risk appetite, and organizational structure which provide proper planning, directing and controlling operations affects financial liquidity of organization (Whittington and Pany, 2001).

# CHAPTER ONE
# INTRODUCTION

The purpose of the study is to determine the factors affecting financial liquidity of public training institutions in Kenya. This chapter examines the background of the study, financial liquidity, technical institutions in Kenya, research problem, objective of the study, significance of the study, justification of the study, and the scope of the study.

## 1.1 Background of the Study

Oduog (2003) showed that financing education has been and continues to be a burden to all countries and therefore, various sources of finance should be sought to finance education. The failure of firms or organizations to meet their obligations on time may trigger bankruptcy or insolvency, and make the creditors have the right to take a claim on the organization's assets. Liquidity is very vital for technical training institutions because they are vulnerable to unexpected and immediate payment demands. For technical institutions to stay in business, the institutions must be able to meet their legitimate obligations. Liquidity plays a vital role in the successful functioning of the business of the company. According to Pandey (1999), investment in current assets should be adequate; imbalance investment may cause excess or shortages of working capital which may lead to wastages in case of excess or deficit in case of shortages and thus losses of the organization. A firm needs to ensure that it does not suffer from lack of or excess liquidity to meet its short-term obligations. The problem in liquidity management is to achieve desired trade-off between liquidity and profitability. Liquidity needs of the company depends on the specific nature of the company and there is no specific rule of determining the optimal level of liquidity that the company can maintain in order to ensure positive impact on its profitability (Raheman and Nasr, 2007).

Financial liquidity determines the ability of the organization to meet their short-term and long-term commitments. Effective management of financial liquidity enables Technical training institutions to meet their financial commitments as and when they fall due. The payment commitments may include operating and financial expenses that are short-term and maturing long-term debts. Financial liquidity management is one of the essential tools in policy decisions that management of technical institutions has to make on a day to day basis. The decision made has a significant implication on the financial performance of technical institutions because it involves a trade-off between costs and benefits of maintaining liquid cash (Subramaniam, Tang, Yue and Zhou, 2011). Ross (2001) found out that the deregulation and globalization of financial markets has made liquidity risk management, credit risk and market risk more diverse and complex because banks have to succumb to the existing market forces that are typical of the market kind of an economy.

Transparency International Kenya (2009) observed that the Kenya education system including technical institutions is burdened with financial management risks that compromise the quality of education. The report assessed the significant risks at the various levels of decision making, resource allocation, and utilization that create corruption opportunities. The Kenyan current technical education landscape is rapidly becoming complex and technical training institutions are facing liquidity management challenges. This calls for strategic liquidity management in these institutions. To achieve short-term or long-term success, technical training institutions must develop and sustain their liquidity capabilities to create a meaningful internal and external socio-economic impact. According to Abraham Lincoln (1862), the managers are required to develop a sustainable strategic liquidity management framework to enable them manage institutions financial liquidity effectively in the rapidly changing academic environment.

Reeder (1998) argued that educational investment should be well handled to ensure maximum production from it and that the little funds available be well expended to ensure careful financial planning, control and administration. Ngaba (1990) commended that there was a lack of professionalism in some areas of management of learning institutions, including technical institutions' finances and called for qualified personnel in the management of institutions finances. It is on this account that the researcher intends to carry out the study on the factors influencing financial liquidity in technical institutions. The factors to be investigated shall include: Management competence; Control activities; and Government financial support. The management competence shall be measured by ethical values, monitoring activities, management commitment, and management compliance. Control activities measured by separation of power, work checked by others, corrective action taken to address weakness, and among others. Government financial support shall be measured by government disbursement of funds, and procurement procedures.

Public Technical Training Institutes are spread all over the country. There are 46 public technical training institutes as per KUCCPS, the body that is mandated to place candidates to universities and colleges. As per President's Delivery Unit, from 41 TVET institutions in the country in 2013, the government is building 152 new technical training institutions with the ultimate aim of building at least one TVET institute per constituency. The question is; will the new TVET institutions stand economic times in terms of their operations and management considering that the already existing institutions are facing financial difficulties.

Public Technical Training Institutes operate on the guidelines of the government agencies, use technology as guided by the government organs. The private tertiary institutions operate on a more flexible programs, state of the art technology, open communication systems

and participative management style making them sound in financial management. Public Technical Training Institutes continue to suffer lack of competitiveness, growth, developments and innovations due to their leadership and management styles.

### 1.1.1 Financial Liquidity

Financial liquidity management is one of the essential tools in policy decisions that management of technical institutions has to make on a day to day basis. According to Mainelli (2007), the ability of an institution to generate sufficient cash or its equivalent in a timely manner at a reasonable price to meet its obligations as they fall due is referred to as liquidity. These obligations can be met either by drawing from a stock of cash holdings, by using current cash flows, by borrowing cash or by converting liquid assets into cash. Liquidity is the probability that an asset can be converted into an expected amount of value within an expected amount of time. Cash and cash equivalents are the most liquid assets within the asset item of the company's balance sheet. The level of liquidity can be an indicator of success or the failure of the firm. Harrison (2015) showed that effective management of financial liquidity enables organizations to meet their short-term and long-term financial commitments.

Chaplin, Emblow and Michael (2000) showed that liquid assets are vital to have in times of crisis or emergency because they can be readily converted into cash. Without liquidity, money can be tied up in systems that are hard to cash out of and even more difficult to assess for the actual cash value. During times of emergency, large financial institutions shut down, making it difficult for technical institutions, individuals, or firms to access the cash they need, which affects their liquidity position. According to Hit, et al. (1996), current ratio is the standard measure of liquidity by firms. Other measures of liquidity are acid test ratio (Panday, 1996).

Both in the developing and developed world, technical training institutions performance have been found to be affected by financial liquidity management. Myers and Majluf, (2004) showed that proper liquidity management will enable a financial institution meet their financial obligations and take advantage of profitable investments that are likely to yield higher returns in future. Technical, Vocational and Training institutions may benefit from this study since it brings out the important factors that influence financial liquidity. The managers and the owners of technical training institutions would particularly learn the liquidity management of technical institutions in order to improve their performance (Rahman and Rahmos, 2012).

Reeder (1998) argued that educational investment should be well handled to ensure maximum production from it and that the little funds available be well expended to ensure careful financial planning, control and administration.

### 1.1.2 Technical Training Institutions in Kenya

Kenyan Government has dedicated to provide relevant and adequate skills in strategic disciplines by 2020 by supporting the growth of technical training institutions by increasing the resource allocation and providing incentives for investment and participation in skill training in the country (GoK,2012b). Sessional Paper No 2 of 2014 on education and training in Kenya suggests the use of unit cost to determine the cost of provision of technical training institutions education. Linking financing of technical training institutions to the unit cost requires policy makers to account for the recurrent expenditures: teacher salaries, teaching materials, administration costs and cost of student upkeep; and non-recurrent expenditure: teaching and learning equipment, institutional infrastructure and research activities as the basis for determining the unit costs. This policy involves financial liquidity management.

Technical, vocational education and training institutions are defined as institution offering technical education and training at diploma level. According to MoHEST (2009), Technical and training institutions are responsible for producing trained students and trained techno-preneurs. The trainees come from secondary schools or the local community. Technical training institutions promote local technologies resulting in value addition to previously wasted products, local food and product safety improvement, technology-based wealth creation at a local level and increase of agricultural production. As a result, trained students and trained techno-preneurs will have a definite impact on technologically driven innovation, skill level for small and medium enterprises, productivity, value addition, creation of small and medium Enterprises and wealth creation.

Transparency International Kenya (2009) observed that the Kenya education system including technical institutions is burdened with financial management risks that compromise the quality of education. The report assesses the significant risks at the various levels of decision making, resource allocation, and utilization that create corruption opportunities. According to Alomba (2003), technical institution administration should realize that business management goes beyond allocating cash items but has to look at the technical institutions as an investment which would pay dividend to the government. This requires a set of skills and knowledge where the use of financial liquidity management plays a key role. It is still not clear how they go about financial liquidity management. The study sought to investigate factors affecting the financial liquidity of Technical training Institutions in Kenya. The factors to be examined are: management competence; Control activities, and Government financial support.

## 1.2 Statement of the Problem

Technical institutions are burdened with financial management risks at various levels of decision making, resource allocation, and utilization which create corruption opportunities and in turn compromise the quality of education. There is need for educational investment to be well handled to ensure maximum production from it and that the little funds available are well expended to ensure careful financial planning, control and administration, specifically in the area of financial liquidity (Reeder, 1998). This calls for qualified personnel in the management of institutions finances so that technical institutions remain financially stable by maintaining acceptable liquidity level in the face of strong competitive environment.

Both in the developing and developed world, firm's financial performance have been found to be affected by financial liquidity management. According to Michna (2007), the decision made has significant implications on the financial performance of firms, including technical institutions because it involves a trade-off between costs and benefits of maintaining liquid cash. Duchin (2007) determined the link between corporate liquidity and corporate diversification of unrelated business. The study showed that there was a positive relationship between diversification of unrelated business and corporate financial liquidity. McMahon and Strnger (2005) showed that there exist a difference in liquidity position and requirements between large and small firms and shortage in liquidity management is a common problem for small firms where most SACCOs belong.

In Kenya, Transparency International Kenya (2009) observed that the Kenya education system including technical institutions is burdened with financial management risks at various levels of decision making, resource allocation, and utilization that create corruption opportunities which compromise the quality of education. Munene (2013), carried out a study on effects of

internal controls on financial performance of technical training institutions in Kenya, and found that there is a significant relationship between internal control system and the financial liquidity. Simiyu (2011) studied the effectiveness of internal control system in middle institutions of learning in Kenya. The study revealed that Technical Training institutions face a number of challenges such as financial liquidity management problem. These researches were carried out based on the general financial management of learning institutions. These studies did not focus on the factors affecting financial liquidity of technical institutions in Kenya. To the researcher's knowledge, no investigation of factors affecting financial liquidity of technical training institutions has been done so far. The study intends to fill the literature gap of financial liquidity management of technical institutions.

Despite of some of these public technical training institutes to have been established way back in 1960s, they continue to suffer in development and innovation due to lack of financial liquidity. Therefor there is need to carry out the research.

Based on this argument, the proposed research assessed factors affecting financial liquidity of technical training institutions in Kenya. The study has given a clear reflection of how the factors affect technical institutions financial liquidity. Specifically the study determined the factors affecting financial liquidity of technical institutions in Kenya. The research shall be answering the following challenging question: to what extend the factors affect the financial liquidity of Public Technical Training Institutions in Nairobi County, Kenya?

## 1.3 General Objective

The general objective of this study is to determine the factors affecting financial liquidity of Public Technical Training Institutions in Kenya.

### 1.3.1 Specific Objectives

The specific objectives are to:

i. Assess the effect of management competence on the financial liquidity of Public Technical Training Institutions in Kenya.

ii. Determine the influence of control activities on the financial liquidity of Public Technical Training Institutions in Kenya.

iii. Determine the effect of the government financial support on the financial liquidity of Public Technical Training Institutions in Kenya.

### 1.3.2 Research Questions

The research shall be answering the following challenging question:

i. To what extent does management competence affect the financial liquidity of Public Technical Training Institutions in Kenya?

ii. To what extent do control activities influence the financial liquidity of Public Technical Training Institutions in Kenya?

iii. How does government financial support influence the financial liquidity of Public Technical Training Institutions in Kenya?

## 1.4 Significance of the Study

The study shall benefit:

### 1.4.1. Technical Institutions Policy Maker

According to Stevenson (2010), the study would be beneficial to technical institutions policy formulation and implementations. The Technical Institutions Policy Maker includes government, local communities, and the managers of the institutions. The study would be used by policy makers to integrate factors affecting financial liquidity of technical institutions in the policy

formulation. Technical institutions play a fundamental role in the growth and development of the economy. Therefore implementation of such policies would be beneficial to technical institutions and the whole county.

### 1.4.2. Researchers and Academicians

The study would be of great benefit to other researchers and academicians who seek to understand the factors affecting financial liquidity of technical institutions.

### 1.4.3. Stakeholders

These include non-governmental organizations and consultants. The stakeholders of technical institutions including non-governmental organizations and consultants would benefit from the study. The result of the study may be useful to them in designing training programs for technical institutions. Mears and Theron (2006) argued that it also ensures that organizations involved in financing technical institutions develop their programmes effectively to meet the technical institutions needs in general and those in Kenya in particular.

### 1.4.4. Technical, Vocational and Training Institutions managers and owners, students of the institutions

The technical institutions may benefit from this study since it brings out the important factors that influence financial liquidity. The managers and the owners of would particularly learn the liquidity management of technical institutions in order to improve their performance (Rahman and Rahmos, 2012).

## 1.5 Scope of the Study

Financial liquidity management is one of the essential tools in policy decisions that management of technical institutions has to make on a day to day basis. Harrison (2015) showed that effective management of financial liquidity enables organizations to meet their short-term and long-term

financial commitments. The study seeks to investigate the factors affecting financial liquidity of Public Technical Training Institutions in Kenya. The study shall cover technical institutions registered in Nairobi County. The study shall utilize primary data from Public Technical Training Institutions in Nairobi County, Kenya.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Introduction

The purpose of the study is to determine the factors affecting financial liquidity of public training institutions in Kenya. This chapter examines Theoretical foundation of the study, and Empirical Literature Review. Theoretical foundation of the study include: The Liquidity theory, the Agency Theory and the Pecking order theory in relation to financial liquidity.

## 2.2 Theoretical Foundation of the Study

The study grounded on the following theories: The Liquidity theory, Agency theory, and Pecking Order Theory.

### 2.2.1 The Liquidity Theory

The theory was developed by Emery in 1984. It states that firms that have cash flow challenges use more credit than those with normal access to credit through the financial institutions. When there are restricted monetary policies in the economy, the offer of credit can account for the reduction of credit being offered by financial institutions. And according to this theory, large firms which do not have liquidity challenges and have a wide access of funds from capital markets can actually find the firms which are affected by the monetary policy. The idea behind the theory was that firms with better liquidity position and have access to capital markets can advance credit more easily than firms that are constrained in accessing the financial markets.

Nielson (2002), used small firms to act as credit rationed firms. He showed that small firms responds by accepting credit but reduces on the amount that they advance to the customers hence they adopt a tight and stringent credit policy to reduce on the default rates and bad debts.

According to Petersen and Rajan (1997), firms which don't face liquidity constraints are less likely to demand for credit but instead offer more credit to its customers.

The theory is relevant to this study in that when technical training institutions have favorable liquidity positions, they will find ease in getting credit from financial institutions.

### 2.2.2 Agency theory

The Agency theory predates to the 1960's when economists identified the potent of spreading risks among groups and individuals (Wilson, 1968).These scholars identified risk sharing as a probable problem that could ensue in the event the parties to it differed in attitude. Other scholars later expounded their ideas to include what is commonly referred to as the agency problem (Jensen & Meckling, 1976).There exist a relationship between two parties known as the agency relationship. An agency relationship is such that one party known as the principal performs the task of delegating work to another party known as the agent. It is expected that the agent will perform that duty.

The relevancy of the theory to the study is to examine how the interest of conflict affects the liquidity management decision of the technical training institutions. The agency relationship is seen in the technical training institution where by the conflict of interest exists between the inside and outside contributors of funds (Hand et al., 1982). Due to lack of publicly available information the external financiers are in constant worry if the owners will breach the contract and develop behaviors that are detrimental to them. The capital providers thus seek measures to reduce the agency costs by employing some lending techniques. For start-ups the informational asymmetry problems are higher and thus lack access to external funding, this however changes

with the firms' growth. As the firm grows so does its asset base, it also develops a trading and credit history and alleviates moral hazards.

According to Chen et al. (2009), the role of management personnel in financial management in institutions is to ensure the smooth operations of activities, day-to-day handling of risks, and the role of stewardship. The Agency problem manifests itself in the managing of the technical institutions where managers put their personal goals first rather than to maximize the shareholders' value.

### 2.2.3 Pecking Order Theory

The pecking order theory is concerned with the cost of financing. It infers that the choice a company chooses to use in financing its activities usually sends a signal to outsiders. There is an order in which a firm resorts to in financing its activities. A company uses internal finances first, then debt and finally equity to finance its activities. The issuance of debt instruments could imply that the company is in need of external financing (Myers & Majluf, 1984). According to the pecking order theory, insiders are more informed compared to outsiders. The resultant effect of this information asymmetry contributes to the varying costs of external finances. They propose the use of internal funds to exhaustion, then use of debt and finally equity, with equity being the most expensive and internal equity relatively cheaper.

The theory is relevant to the study in that, it shows how information asymmetry affects financial liquidity management decision. The institutions suffer more information asymmetries and high cost of external equity as well as the urge by owners to retain control. The pecking order theory is thus relevant for the technical training institutions as they have to follow the pecking order: internal funds provided by the government, then debt and finally equity.

## 2.3 Empirical Literature Review

Generally, Argenti (1976) stated that the factors that influence the financial liquidity of a firm can be into internal and external factors. The internal factors include: poor management, poor knowledge of financial matters, misfeasance and frauds. The external factors include: government regulations. In this section, the study provides a review of the factors that affect financial liquidity of technical institutions.

### 2.3.1 Management Competence and Financial Liquidity

The integrity and ethical values of personnel responsible for creating, administering, and monitoring of financial liquidity, commitment and competence of persons performing assigned duties such as board of directors, management philosophy and operating style in terms of their risk appetite, and organizational structure which provide proper planning, directing and controlling operations affects financial liquidity of Technical, vocational education and training institutions (Whittington and Pany, 2001).

Management competence also for the purpose of the study comprises of management compliance which include the requirement of the management to adhere to all relevant rules and regulation, and operational risks, such as processes, production, technology, and cyber risks. Management competence risks, whether related to compliance failures, misconduct, technology, or operational challenges, has only a large downside. The downside is on the financial consequences. The capability of the management to deploy its resources efficiently, income maximization, reducing operating costs can be measured by financial ratios (Halling and Hayden, 2006).

According to Halling and Hayden (2006), the business takes all the responsibility for managing risk, but without any link to the technical training institution's formal compliance, risk, and control framework. The shortfalls have led to companies from all sectors to be caught off quad when failures occur. And those failures have led to catastrophic incidents and destroyed shareholders value. Litigation and settlements of financial risk-control failures have cost the financial performance of corporate sectors. And also the reputational damage can hit a technical training institution hard a time when customers, shareholders, and public stakeholders are questioning technical training institution's business models. The financial ratio used to measure the Management competence risks is the operating profit to income ratio (Halling and Hayden, 2006). The management competence shall be measured by ethical values, monitoring activities, management commitment, and management compliance.

Kirit (2013) carried out a study on the trade-off between liquidity and profitability of selected India's manufacturing companies. The study's population consisted of 31 manufacturing firms listed in India. The data was obtained from the balance sheet and income statements of the sampled firms listed in Bombay Stock Exchange. Quantitative research and Pearson correlation were used to determine the trade-off between liquidity and profitability. The findings revealed that there was negative relationship between return on capital employed and the liquidity variable, but contrary to this a positive relationship was found between quick acid ratio and net profit and also between quick acid ratio and return on equity.

Owolabi, Obiakor and Okwu (2011) studied the relationship between liquidity and profitability in 15 selected quoted companies in Nigeria. The objective was to examine the nature and extend of the relationship between liquidity and profitability in quoted companies and also whether any cause and effect relationship existed between the two performance measures.

Liquidity measures considered was current assets-liabilities ratio while profitability measure was operating profit turnover ratio. Investigative and quantitative analysis methods were used for the study.

Deloof (2003) studied the relationship between working capital management and firm profitability of Belgiam firms, where he studied 1009 large Belgian non-financial firms for the period of 1992 to 1996. Using correlation and regression tests he found a significant negative relationship between gross operating income and the number of days accounts receivables, inventories and accounts payable of Belgian firms. On the Basis of these results he showed that managers could create value for their shareholders by reducing the number of day;s accounts receivable and inventories to a reasonable minimum level. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills.

### 2.3.2 Control Activities and Financial Liquidity

Control activities have a significant relationship on the financial liquidity of Technical, vocational education and training institutions. According to Ray & Pany (2001), control activities are policies and procedures that help ensure that management directives are carried out which affects financial liquidity position of Technical, vocational education and training institutions. Control activities comprises of performance reviews-comparing actual performance with budgets, forecasts and prior period performance; information processing-necessary to check the accuracy, completeness and authorization of transaction; physical controls-necessary to provide security over assets; and segregation of duties-where no one person should handle all aspects of transaction from the beginning to the end.

The proposed educational needs include the expenditure necessary to support programs and the anticipated revenues to cover expenditure (Camobel 1971). People within the schools system should actually play a big role in preparation of estimates. The preparation of estimates should never be a non-man affair (Miller and Spalding 1956). The head teacher should present the budget document to the board of governors before the boad finally adopts it (Alomba, 2003). Government development plan for the period of 1970-1978 showed that another feature of careful financial planning is effective financial control and administration, which establishes whether: action on main recommendation report; system for financial are unobstrusive efficient and responsive to the need and enable teachers to concentrate on their core work; grants are used effectively; head teachers and board of governors have adequate information to ensure that finances are kept in good order and costs are easily determined.

According to Simiyu (2011), effectiveness of internal control system in middle learning institutions of learning in Kenya indicated that technical Training Institutions face a number of challenges during internal controls in performance like struggles with liquidity problems, financial reports are not made timely, accountability for the financial resources is still wanting, frauds and miuse of institutional resources.

Ogneva, Subramanyam & Raghunandan (2007) argued that all kinds of business firms have used internal controls through the formation of policies to ensure safeguarding assets and profitable business environment especially Management policy and operational policy on financial liquidity of Technical, vocational education and training institutions. According to IIA (2006) control activities provide reliable financial information, safeguards assets, encourages adherence to prescribed policies and comply with regulatory agencies. Control activities

measured by separation of power, work checked by others, corrective action taken to address weakness, and among others.

According to Alomba (2003), technical institution administration should realize that business management goes beyond allocating cash items but has to look at the technical institutions as an investment which would pay dividend to the government. This requires a set of skills and knowledge where the use of financial liquidity management plays a key role. It is still not clear how they go about financial liquidity management. According to Chen et al. (2009), the role of management personnel in financial management in institutions is to ensure the smooth operations of activities, day-to-day handling of risks, and the role of stewardship. The Agency problem manifests itself in the managing of the technical institutions where managers put their personal goals first rather than to maximize the shareholders' value.

According to Verchoor (1999), board of directors have the responsibility to create a management philosophy and operating style, the integrity and ethical values of personnel that create and administer controls, and audit committees. These factors develop a basis on which the internal control components are built. Abu Musa (2010) assessed the existence and adequacy of implemented security controls of computerized accounting information systems in the Saudi banking sector. He found out that the majority of Saudi banks have adequate security controls in place.

### 2.3.3 Government Financial Support and Financial Liquidity

Government financial support is a critical independent variable in financial management of learning institutions in Kenya this is because the ministry education provides financial instructions to educational institutions Ministry of Education, 1997). Kenyan Government has

dedicated to provide relevant and adequate skills in strategic disciplines by 2020 by supporting the growth of technical training institutions by increasing the resource allocation and providing incentives for investment and participation in skill training in the country (GoK,2012b). Sessional Paper No 2 of 2014 on education and training in Kenya suggests the use of unit cost to determine the cost of provision of technical training institutions education. Linking financing of technical training institutions to the unit cost requires policy makers to account for the recurrent expenditures: teacher salaries, teaching materials, administration costs and cost of student upkeep; non-recurrent expenditure: teaching and learning equipment, institutional infrastructure and research activities as the basis for determining the unit costs; and varying specialization of trade areas: some courses are more expensive depending on their specialization or trade area. Some courses require use of sophisticated apparatus which are expensive, while for others are not expensive. The training materials or consumables used in workshops also determine the cost of courses. The policy is very essential in financial management. This policy involves financial liquidity management.

Maroga (2013) assessed the effect of government financial regulation of on the financial management practices in public Secondary schools. The study investigated how principals managed the school cash, inventories, account receivable, and account payables.. The aim of the study was to asses problems principals encountered when applying these financial management practices. Principals and busar of each 30 secondary schools were interviewed. Semi structured questionnaires were used to collect data. The study revealed that most schools follow the recommended and acceptable financial management practices as per the government financial regulations.. Further, the study showed that the major problems arising from the government financial regulations include lack of monitoring and evaluation unit on financial usage, long

procurement procedures, lack of financial management training, late disbursement of funds and lack of audit personnel in secondary schools.

According to Mureithi (2003), there is a positive relation between liquid holding assets and growth opportunities of the organizations. The study based on the view that external financing is more costly for institutions with greater growth opportunities and in order to avoid costly external financing. The main source of income for these institutions is from the student's fees and the government funding, which are cheaper. The government funding to improve quality of education for these institutions in terms of modernizing equipment and train trainers has remained low. The stiff competition among the public technical institutions has affected the revenue collection which affects financial liquidity. The objective of the company is to create wealth for the shareholders. For organizations to continue meeting this objective they must identify and seize growth opportunities. A company can grow organically through expansion of existing products or it might increase its size and revenue streams by acquiring other existing companies, through acquisition or mergers.

According to Gray (1996), funding of Technical, vocational education and training institutions is based on varying length of Technical, vocational education and training institutions courses. This may not be a major problem in institutions where the duration of courses is almost homogeneous. However, in many institutions, in an effort to make Technical, vocational education and training institutions courses flexible and the content more attained to the community or to the companies, courses are slightly regulated, so much that duration is highly variable. There are courses as shot as one week, less than a month, and up to three or six months. The major problem lies in the varying length of student courses, and the absence of any standard methodology for converting part-time and short-term students into full-time, one year

equivalent, which is then to be able to assess the costs for the different types of courses. Government financial support shall be measured by the government supports of financial management training, disbursement of funds, and Procurement.

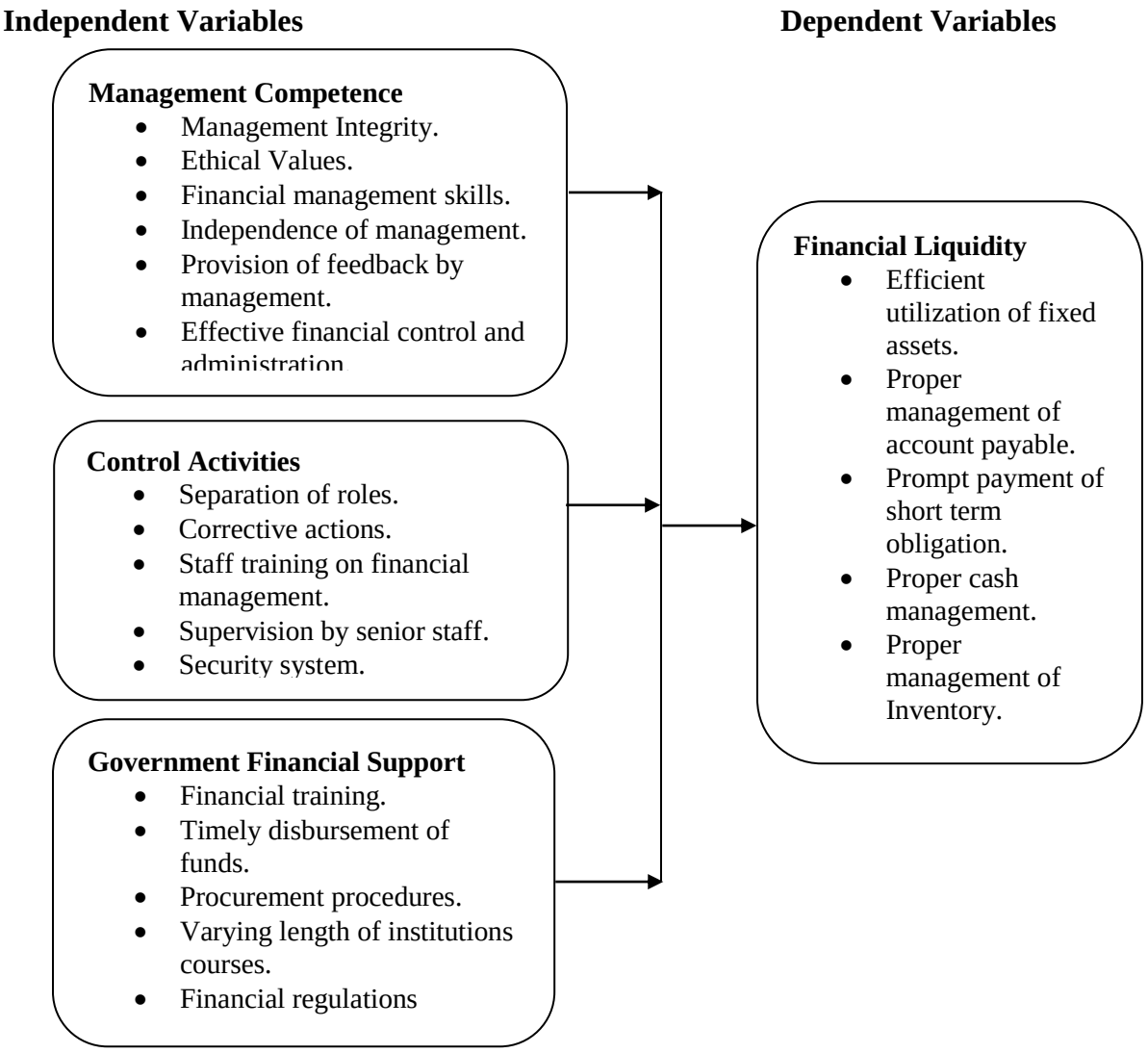
## 2.4 Research Gap

In spite of the increasing appetite for technical training institutions, to the researcher's knowledge, no investigation of factors affecting financial liquidity of technical training institutions has been done so far. Munene (2013), carried out a study on effects on internal controls on financial performance of technical training institutions in Kenya, and found that there is a significant relationship between internal control system and the financial liquidity. Simiyu (2011) studied the effectiveness of internal control system in middle institutions of learning in Kenya. The study revealed that Technical Training institutions face a number of challenges such as financial liquidity management problem. These studies did not focus on the factors affecting financial liquidity of technical institutions in Kenya.

## 2.5 The Conceptual Framework

From the foregoing literature, the study conceptualizes that the factors classified as management competence, control activities and government financial support directly affect financial liquidity of Technical institutions. The conceptualized relationship is expressed in the 2.1 figure below.

**Figure 1 Conceptual Framework**




Source: Researcher (2017)

**Operationalization of Variables**

The dependent and independent variables shall be operationalized as in table 1 below:

**Table 1 Operationalization of Variables**

| Variable | Type | Measurement (5-point likert scale)<br>1=very small extent, 2= small extent, 3= moderate, 4= great extent, 5=very great extent |
|---|---|---|
| Financial Liquidity | Dependent | • Enough cash to meet obligations<br>• Accounting system adequately identifies receipts and expenditure<br>• Outstanding fees are dully paid in time<br>• Prompt payment of short term obligation<br>• Efficient utilization of fixed assets<br>• Keep investment in cash as low as possible while operating efficiently<br>• Consider costs return and risk factors in establishing inventory policy<br>• Cash management system<br>• Credit policy |
| Management Competence. | Independent | • Management integrity in execution of their roles<br>• Ethical values upheld in all management decisions<br>• Measures are taken to correct mistakes or legal actions in operation.<br>• Financial management skills and knowledge of finance officers plays a key role<br>• Independent of board of governors and its committees in management<br>• Feedback to the junior officers about the operation of the finance systems |
| Control Activities. | Independent | • clear separation of roles<br>• Corrective actions are taken<br>• Training of staff to implement the financial management systems<br>• Supervision by senior staff on the work of their juniors<br>• Identification and safeguards of assets<br>• Effectiveness of internal control system<br>• Management and operation policy |
| Government Financial Support. | Independent | • Government support<br>• Disbursement of funds by the government to the institutions on time.<br>• Procurement procedures<br>• Government financial regulation<br>• Funding based on varying length of the institutions courses |

Source: Researcher (2017)

### 2.5.1 Research Hypotheses

***$H_{01}$:*** *Management competence has no significant effect on financial liquidity of Public Technical Training Institutions in Kenya.*

***$H_{02}$:*** *Control activities have no significant effect on financial liquidity of Public Technical Training Institutions in Kenya.*

***$H_{03}$:*** *Government financial support has no significant effect on financial liquidity of Public Technical Training Institutions in Kenya.*

## 2.6 Summary of the Literature Review

From the literature it is evident that liquidity has a profound relationship with profitability. The review showed that there is a trade-off between profitability and the financial liquidity of organization. The variables are positively correlated.

The literature showed that holding of liquid assets by the organization was beneficial up to a certain extent beyond which an increase in holding liquid assets can eventually be overweighed by the opportunity cost of holding comparatively low yielding liquid asset on the balance sheet. Most of the studies reviewed used time series data. The studies showed that variables such as firm size, growth opportunities, cash flows, and macroeconomic factors affect firm's financial liquidity. To the researcher's knowledge, limited studies have been done involving technical institutions.

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1 Introduction

Creswell (2008) defines methodology as the systematic theoretical analysis of the methods applied to a field of study. This chapter explains the methods and procedures that was used in the carrying out this study. The sections discussed include: the research design, target population, data collection, data analysis, and ethical consideration.

## 3.2 Research Design

Upagade & Shende (2012) stated that research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research objective with economy in procedure. It is the logical manner in which individuals or other units are compared and analyzed and acts as the basis of making interpretations from the data. A descriptive survey was used. The design explains the relationship between variables (Kothari, 2005). This is because this research sought to examine the factors affecting financial liquidity. At the same time to what extent the effects go into influencing technical institutions' financial liquidity of technical institutions.

A descriptive statistics was incorporated to describe or define, often by creating a profile of a group of problems, people or events, through the collection of data and tabulating of the frequencies on research variables. It involves using questionnaires and generalizing the results of the sample to the population.

## 3.3 Target Population

Mugenda and Mugenda (2003) defined a population as an entire group of individuals, events or objects having common characteristics that conform to a given specification. The population of

interest consisted of 12 public Technical, Vocational and Training institutions registered by the Ministry of Education in Nairobi County (Appendix B). The 12 public technical institutions is 18.18 % of the 66 public technical institutions in Kenya. This is in conformity with Mugenda and Mugenda (2003) who postulated that at least 10% of the accessible target population is appropriate for statistical reporting. The target respondents were the Principals, Finance officers and Accountants who are usually responsible for financial operations of the 12 Technical, Vocational and Training Institutions (Ministry of Education, 2016). The study used a census survey where questionnaires were given to each respondent. The researcher collected information from the respondents.

There are 12 public technical institutions in Nairobi County which were considered in this study. The responsive population of the study was 72 employees within the Principals, Finance officers, and Accountants of the 12 public technical institutions in Nairobi County by use of census survey as shown in table 2. This involved taking 1 principal, 2 finance officers, and 3 accountants from each of the 12 technical institutions. This is considered significant enough to provide valid and reliable analysis that conforms to statistical requirements (Mugenda and Mugenda, 2003).

**Table 2 Sample Size**

| | Total Population |
|---|---|
| | |
| Principals | 12 |
| Finance officers | 24 |
| Accountants | 36 |
| | 72 |

Source (Technical Institutions, 2016)

## 3.4 Data Collection

The study used primary data. Kothari (2004) states that primary data is information gathered directly from the respondent. The data was collected using semi-structured questionnaire (Appendix A) administered to the employees. The questionnaire was self- administered and distributed by hand delivery to the 72 target respondents who are usually responsible for financial operations of the 12 technical institutions. The questionnaire sought to obtain information in order to identify factors affecting financial liquidity of Technical Vocational and Training Institutions in Nairobi County.

## 3.5 Instrumentation

The research employed a structured questionnaire to collect data. The questionnaire had two sections. The first section was used to collect demographic information of the respondents. The second section had the structured questions in a 5-point likert scale to asses factors affecting financial liquidity of public technical training institutions in Nairobi County where 1=very small extent, 2= small extent, 3= moderate, 4= great extent, 5=very great extent. The questionnaires were administered using the drop and pick method: they were left with the respondents and picked after two days.

### 3.5.1 Validity of the Instrument

Validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the variables of the study (Mugenda and Mugenda, 2003). To ensure the validity of the study, the instruments were subjected to a criterion of measuring both face and content validity. A pilot test was carried out to evaluate the validity, clarity of test items and suitability of language used in

the instrument and the feasibility of the study. The responses of the instrument used to determine whether the items are clear, valid and whether they draw consistent.

### 3.5.2 Reliability of the Instrument

According to Best and Khan (2003), reliability refers to precision, consistency and accuracy of the instrument demonstrates. The Cronbach's Alpha coefficient (α) was used to measure internal consistency and stability of scales that was used in the study. Nunnally (1978) argued that a reliability coefficient value of above 0.7 is statistically acceptable for a study. This study employed this standard to measure the extent to which the questionnaires measure the individual latency of the variable under examination.

## 3.6 Data Analysis

Bogdan and Biklen (2003) argued that data analysis involves working with the data, organizing them, breaking them into manageable units, coding them, synthesizing them, and searching for patterns. To achieve the objectives of the study, statistical test was done to determine the relationships and influences that exist among factors influencing financial liquidity in Technical Training Institutions in Nairobi County. Factor Analysis and Descriptive statistics was used in the analysis of the data, with the help Statistical Package for Social Sciences (SPSS).

Descriptive statistics was used to explain the demographic characteristics of the employee. This involves use of tables and percentages. The factor Analysis model was used to explain the variability of the various factors as influenced by the different subsets of the independent variables that affect financial liquidity. For purposes of interpretation, the Rotated Component Matrix of the Variables was used. Multiple regression was used in estimation of the

model done so as to determine the percentage change in the dependent variable as a result of 1% change in the dependent variable.

### 3.6.1 Model Specification

Multiple regression analysis was conducted to determine the expected relationships between management competence, control activities, and government financial support. The multiple regression analysis was conducted at 95% confidence level. The regression analysis provided estimate equations to predict the magnitude of the dependent variable and provide values for the predictor variables.

The general model for predicting factors influencing the financial liquidity of technical institutions is represented as;

$Y=\alpha+\beta_1 x_1+ \beta_2 x_2+ \beta_3 x_3 +……..+ \beta_n x n\varepsilon_1$

Where Y is the dependent variable and is a linear function of $X_1$, $X_2$, $X_3$, …, $X_n$ plus $\varepsilon_1$,. $\alpha$ is the regression constant or intercept, $\beta_1$-n the regression coefficient, $X_1$-n are the study variables which are independent variables, $\varepsilon_1$ is the error term that accounts for the variability in Y that cannot be explained by the linear effect of the predictor variables.

Thus, the estimated model for factors influencing financial liquidity of technical institutions was expressed as:

$FL= \alpha + \beta_{1M\,C}+ \beta_{2CA} + \beta_{3GFS}+ \varepsilon_1$……(i)

Where:

**FL=** will be the estimated composite index of financial Liquidity,

**$\alpha$ =** is a regression constant or intercept;

$\beta_{1-4}$ = are the regression coefficients, P

**MC**= represents Management Competence,

**CA**= represents Control activities

**GFS**= represents Government Financial Support,

$\varepsilon_{1=}$ is a random error term.

### 3.6.2 Diagnostic Tests

Factor analysis will be used for data reduction before testing the analytical model. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. Principle Components Analysis (CPA) which is the default extraction method in the Statistical Package for Social Sciences (SPSS) factor analysis will be used because the primary purpose will be data reduction.

Descriptive analysis will be conducted to present the main characteristics. Tests of normalcy and linearity will be done because the use of parametric statistics such as multiple regression and correlation requires that the sample data is normally distributed and has homogeneity of variance. Normality was tested using descriptive statistic by examining the Kurtosis and Skewness of data.

## 3.7 Ethical Considerations

According to Helsinki Declaration of (1975) the following ethical consideration will be adhered to: equitable selection of subjects; individuals will be made to understand the nature of the study and possible implications, confidentiality and anonymity of the respondents.

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND DISCUSSION

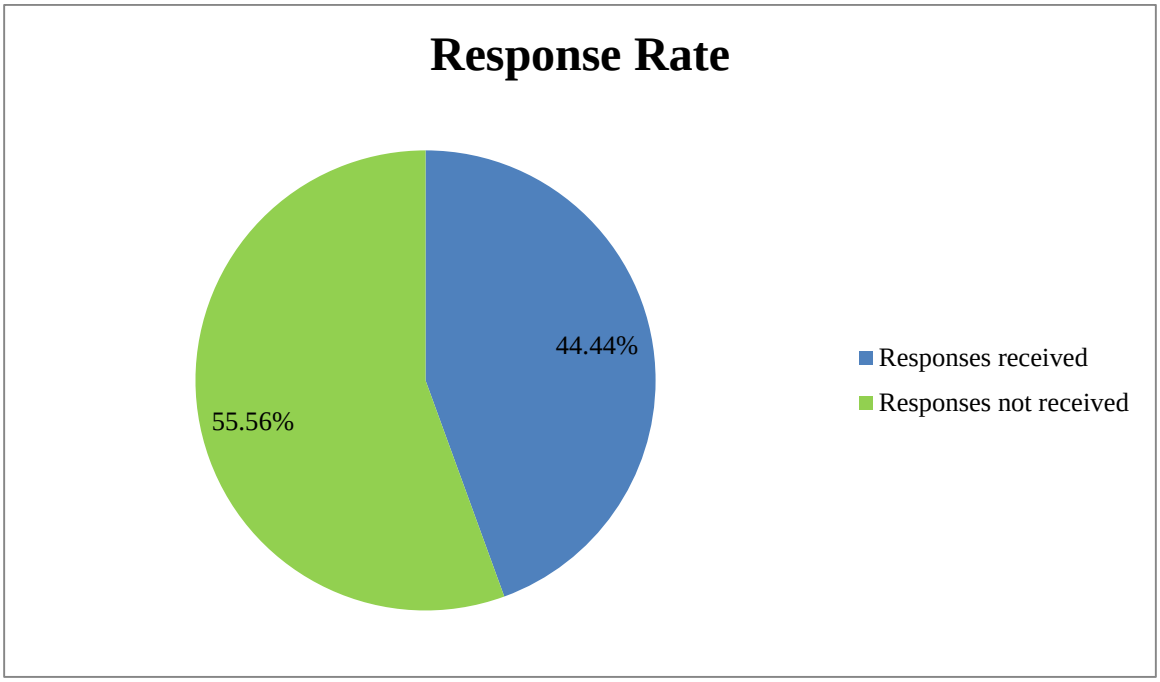
## 4.1 Introduction

This chapter discusses the implementation and presentation of the findings obtained from the field, in particular, section 4.2 covers summary of statistics, section 4.3 estimated model, section 4.4 the discussion and finally section 4.5 reviewed the summary.

## 4.2 Response Rate

The population comprised of 72 respondents. The research instrument was administered to all the 72 respondents and 32 responses were received. This was a response rate of 44.44%

**Figure 2 Response Rate**




Source: Researcher (2017)

**Table 3 Response Rate**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Response Received | 32 | 44.44 | 44.44 | 44.44 |
| | Response not received | 40 | 55.56 | 55.56 | 100.0 |
| Total | | 72 | 100.0 | | |

Source: (Research data, 2017)

## 4.3 Demographic Composition of the Respondents

This section sought to identify the demographic characteristics of the respondents including the gender, age, education level, position held in the institution, and length of service in the technical institution. These characteristics are important because they are known to influence the variables in this study including competence and performance.

### 4.3.1 Gender Composition of the Respondents

The study sought to identify gender composition of the respondents because some studies have shown a relationship between gender and job performance (Oshagbemi, 1985).

**Table 4 Gender Composition of the Respondents**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 14 | 43.8 | 46.7 | 46.7 |
| | Female | 16 | 50.0 | 53.3 | 100.0 |
| | Total | 30 | 93.8 | 100.0 | |
| | System | 2 | 6.3 | | |
| Total | | 32 | 100.0 | | |

Source: (Research data, 2017)

While the research did not focus precisely on gender equity, the findings reflect that the sample is biased towards female. As shown in Table 4, majority of the respondents 53.3% were female and 46.7% were male.

### 4.3.2 Age of the Respondents

The study sought to establish the age of the respondents as age has been associated with job experience and extent competence (Rhodes, 1983).

**Table 5 Age of the Respondents**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0 | 2 | 6.3 | 6.3 | 6.3 |
| | 18-25 | 2 | 6.3 | 6.3 | 12.5 |
| | 26-35 | 8 | 25.0 | 25.0 | 37.5 |
| | 36-45 | 8 | 25.0 | 25.0 | 62.5 |
| | 46-55 | 9 | 28.1 | 28.1 | 90.6 |
| | Over 55 | 3 | 9.4 | 9.4 | 100.0 |
| | Total | 32 | 100.0 | 100.0 | |

Source: (Research data, 2017)

The Table 5 shows that a majority of the respondents 28% were between the age of 46 and 55 years old. 25% was in the bracket of 26 to 35 years and 36 to 45 years. This indicates that majority of the respondents are middle aged.

### 4.3.3 Education Level of the Respondents

The study sought to identify the highest level of education of the respondents. Education level is one way of measuring the respondent's competence (Veres et al., 1990).

**Table 6 Level of Education**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0 | 3 | 9.4 | 9.4 | 9.4 |
| | Tertiary | 10 | 31.3 | 31.3 | 40.6 |
| | Graduate | 13 | 40.6 | 40.6 | 81.3 |
| | Postgraduate | 6 | 18.8 | 18.8 | 100.0 |
| | Total | 32 | 100.0 | 100.0 | |

Source: (Research data, 2017)

Table 6 shows that most respondents (40.6%) had attained university graduate education. 31.3% had attained tertiary education and 18.8 % had attained Postgraduate degree.

### 4.3.4 Position of the Respondents at the Institution

The study sought to establish the position held by the respondents. This is because studies have shown that there is a relationship between position and levels of performance (Toker, 2011).

**Table 7 Position of the Respondents at the Institution**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0 | 2 | 6.3 | 6.3 | 6.3 |
| | Principle | 8 | 25.0 | 25.0 | 31.3 |
| | Finance officer | 11 | 34.4 | 34.4 | 65.6 |
| | Accountant | 11 | 34.4 | 34.4 | 100.0 |
| | Total | 32 | 100.0 | 100.0 | |

Source: (Research data, 2017)

Table 7 shows the distribution of the respondents in terms of positions held. According to the study findings, 25% were Principals, 34.4% were finance officers and 34.4% were accountants. This shows that the majority of the respondents were finance officers and accountants that participated in the study.

### 4.3.5 Year Respondents Employed by the Institution

The study sought the length of service the respondents have been in the current position since the extent of upward mobility of staff can have an impact on job satisfaction and competence (Bavendam, 2000).

**Table 8 Years Respondents Employed by the Technical Institution**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0 | 5 | 15.6 | 15.6 | 15.6 |
| | Less than 5 | 5 | 15.6 | 15.6 | 31.3 |
| | 6-10 | 2 | 6.3 | 6.3 | 37.5 |
| | 11-15 | 9 | 28.1 | 28.1 | 65.6 |
| | 16-20 | 7 | 21.9 | 21.9 | 87.5 |
| | More than 20 | 4 | 12.5 | 12.5 | 100.0 |
| | Total | 32 | 100.0 | 100.0 | |

Source: (Research data, 2017)

The Table 8 shows the distribution of the respondents in terms of years the respondents employed by the Institution. In Table 8, most of the respondents (28.1%) have been in their institutions for 11-15 years while 21.9% of the respondents have been in their respective institutions for 16-20 years. 15.6% have been in their institutions for less than 5 years. A small percentage (6.3%) of the respondents had been in their respective institutions for 6-10 years and above. This implies a sense of stability and consistency in working for respective institutions and hence ability to appreciate the application of the variable in this study.

### 4.3.6 Reliability of the Instrument

The Cronbach's Alpha coefficient (α) was used to measure internal consistency and stability of scales that was used in the study. Nunnally, (1978) argued that a reliability coefficient value of above 0.7 is statistically acceptable for a study. This study employed this standard to measure the extent to which the questionnaires measure the individual latency of the variable under

examination. The findings reveal that Cronbach's Alpha coefficient (α) was 0.826 as shown in Table 9. This shows that the reliability coefficient value is statistically acceptable for this study.

**Table 9 Reliability of the Instrument**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .826 | .834 | 4 |

Source: Research data, 2017)

### 4.4. Management Competence and Financial Liquidity of Technical Institutions

The respondents were asked to indicate to what extent have the independent variables affect the financial liquidity of Public Technical Training Institutions in Nairobi County, Kenya. The respondents for Management Competence variable was captured by a Likert Scale questionnaire. The respondents were asked to indicate to what extent management competence affects the financial liquidity of Technical Institutions.

**Table 10 Management Competence**

| No | Management Competence | Mean | STD Deviation |
|---|---|---|---|
| 1 | Management acts with a great degree of integrity in execution of their roles. | 3.69 | 1.3060 |
| 2 | Ethical values are upheld in all management decisions. | 4.00 | 1.3440 |
| 3 | Appropriate measures are taken to correct mistakes or illegal actions in operation. | 3.81 | 1.3545 |
| 4 | Financial management skills and knowledge of finance officers plays a key role in financial liquidity management. | 4.16 | 1.0506 |
| 5 | The board of governors and its committees are independent of management. | 4.22 | 1.0994 |
| 6 | Management provides feedback to the junior officers about the operation of the finance systems. | 4.00 | 1.2700 |
| | **Overall Score** | **3.98** | **1.2374** |

Source: Research data (2017)

Management competence had an overall mean score of 3.98 and a standard deviation of 1.2374 . The results shows that: The Board of Governors and its committees are independent of management and had mean of 4.22 and a standard deviation of 1.0994, Financial management skills and knowledge of finance officers plays a key role in financial liquidity management and had mean of 4.16 and a standard deviation of 1.0506, Ethical values are upheld in all management decisions and had mean of 4.00 and a standard deviation of 1.3440, Management provides feedback to the junior officers about the operation of the finance systems had mean of 4.00 and a standard deviation of 1.2700, and that Management do not act with a great degree of integrity in execution of their roles and had mean of 3.69 and a standard deviation of 1.3060, and that Appropriate measures are not taken to correct mistakes or illegal actions in operation had mean of 3.81 and a standard deviation of 1.3545.

### 4.5 Control Activities and Financial Liquidity of Technical Institutions

The respondents were asked to indicate to what extent does control activities influence the financial liquidity of Technical Institutions.

**Table 11 Control Activities**

| No | Management Activities | Mean | STD Deviation |
|---|---|---|---|
| 1 | The institution has clear separation of roles. | 4.34 | 1.0957 |
| 2 | Corrective actions are taken to address weakness. | 4.25 | 1.0776 |
| 3 | Staffs are trained to implement the financial management systems. | 4.44 | 0.9483 |
| 4 | There is appropriate supervision by senior staff on the work of their juniors. | 4.25 | 1.3198 |
| 5 | The security system identifies and safeguards institutional assets | 4.06 | 1.4797 |
| 6 | Effectiveness of internal control system | 4.28 | 1.0545 |
| 7 | Management policy and operational policy on financial liquidity of Technical institutions. | 4.44 | 1.0453 |
| | **Overall Score** | **4.29** | **1.1458** |

Source: Research data (2017)

The Control Activities had an overall mean score of 4.29 and a standard deviation of 1.1458. The finding shows that the Staffs are trained to implement the financial management and accounting systems as shown by a mean of 4.44. The standard deviation of 0.9483, suggests varied responses from respondents. Staff training is an indication of commitment to the effectiveness of internal control. It is what Verschoor, (1999) recommended as "Programs of selection and training of personnel" and that institutions have well Management policy and operational policy on financial liquidity with a mean of 4.44 and a standard deviation of1.0453. The results suggest that respondents agree that there is a clear separation of roles while executing finance and accounting functions. This is shown by a mean 4.34. However a significant standard deviation of 1.0957 is a clear manifestation of varied responses from respondents as far as clear separation of roles is concerned. This is in line with Ray and Pany (2001) who suggested that segregation of duties such that no one person should handle all aspect of a transaction from the beginning to the end.

The results shows that respondents agree to a great extend that the institution has Corrective actions taken to address weakness in financial system with a mean of 4.25 and a standard deviation of1.0776. Action taken to address weaknesses in the system is an indication of the commitment to system (Whittington and Pany, 2001). The respondents agreed that there is appropriate supervision by senior staff on the work of their juniors had a mean of 4.25 and a standard deviation of 1.3198., Effectiveness of internal control system had a mean of 4.28 and a standard deviation of 1.0545. The standard deviation of 1.3198 and 1.0545 respectively show that there were varied responses from the respondents interviewed. This is an indication of deficiencies in strategic controls (Hitt, Hoskisson, Johnson, and Moesel, 1996). There is a

security system to identifies and safeguards institutional assets with a mean of 4.06 and a standard deviation of 1.4797.

### 4.6 Government Financial Support and Financial Liquidity of Technical Institutions

The respondents were asked to indicate to what extent has the government financial support practices affect the financial liquidity of Technical Institutions.

**Table 12 Government Financial Support**

| No | Management Competence | Mean | STD Deviation |
|---|---|---|---|
| | Government Financial Support | | |
| 1 | The government supports the instructions financial management training. | 3.66 | 1.5157 |
| 2 | The government disburses funds to the institutions on time. | 3.25 | 1.3912 |
| 3 | Procurement procedures are favorable to technical institutions. | 3.44 | 1.3183 |
| 4 | Funding of Technical institutions is based on varying length of Technical, vocational education and training institutions courses. | 3.81 | 1.2032 |
| 5 | Government financial regulation on the financial management practices in public technical institutions. | 3.97 | 1.3072 |
| | **Overall Score** | **3.63** | **1.3471** |

Source: Research data (2017)

From table 12, The government supports the instructions financial management training had a mean of 3.66 and a standard deviation of 1.5157, The government disburses funds to the institutions on time had a mean of 3.25 and a standard deviation of 1.3912, Procurement procedures are favorable to technical institutions had a mean of 3.44 and a standard deviation of 1.3183, Funding of Technical institutions is based on varying length of Technical institutions courses had a mean of 3.81 and a standard deviation of 1.2032, and Government financial regulation on the financial management practices in public technical institutions had a mean of 3.97 and a standard deviation of 1.3072.

## 4.7 Financial Liquidity of Technical Institutions

The dependent variable of this study is the financial liquidity. This was measured by the use of the Likert scale. The respondents were requested to indicate their degree of agreement with the statements about the extent to which institution measure financial liquidity management.

**Table 13 Financial Liquidity**

| No | Statement | Mean | STD Deviation |
|---|---|---|---|
| 1 | The institution has enough cash to meet its obligations effectively. | 3.97 | 1.2309 |
| 2 | The institution's accounting system adequately identifies receipts and expenditure. | 4.41 | 1.2664 |
| 3 | Outstanding fees are dully paid in time | 4.19 | 1.2811 |
| 4 | Prompt payment of short term obligation by the institution. | 4.06 | 2.0626 |
| 5 | There is efficient utilization of fixed assets by the institution | 4.03 | 1.3034 |
| 6 | The institution does keep investment in cash as low as possible while keeping the institution operating efficiently. | 4.00 | 1.5275 |
| 7 | The institution does consider costs return and risk factors in establishing inventory policy. | 4.13 | 1.3100 |
| 8 | The institution has proper cash management system. | 4.19 | 1.0776 |
| 9 | The institution has proper credit policy. | 4.06 | 1.4591 |
| | **Overall Score** | **4.12** | **1.3911** |

Source: Research data (2017)

The table 13 represents the result relating to the extent to which institution measure financial liquidity management. This was measured by use of a Likert scale. It is revealed that: The institution's accounting system adequately identifies receipts and expenditure with a mean of 4.41 and a standard deviation of 1.2664, Outstanding fees are dully paid in time with a mean of 4.19 and a standard deviation of 1.2811 and, The institution has proper credit policy with a mean of 4.19 and a standard deviation of 1.0776. The institution has enough cash to meet its obligations effectively had mean of 3.97 and a standard deviation of 1.2309.

## 4.8 Factor Analysis

Factor analysis was used for data reduction before testing the analytical model. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. Principle Components Analysis (CPA) which is the default extraction method in the Statistical Package for Social Sciences (SPSS) factor analysis was used because the primary purpose was data reduction. These factors were used for further analysis using multiple regressions to test the hypothesis formulated in this study as shown in Table 14.

**Table 14 Principle Components Analysis**

| Component | Initial Eigenvalues | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 11.917 | 44.136 | 44.136 | 5.560 | 20.594 | 20.594 |
| 2 | 3.471 | 12.856 | 56.992 | 4.763 | 17.640 | 38.234 |
| 3 | 1.814 | 6.717 | 63.708 | 4.084 | 15.125 | 53.358 |
| 4 | 1.443 | 5.345 | 69.054 | 3.307 | 12.247 | 65.606 |
| 5 | 1.225 | 4.538 | 73.591 | 2.156 | 7.986 | 73.591 |
| 6 | .956 | 3.542 | 77.133 | | | |
| 7 | .945 | | 80.632 | | | |
| 8 | .761 | 2.817 | 83.449 | | | |
| 9 | .691 | 2.559 | 86.008 | | | |
| 10 | .659 | 2.441 | 88.449 | | | |
| 11 | .638 | 2.364 | 90.813 | | | |
| 12 | .440 | 1.631 | 92.444 | | | |
| 13 | .395 | 1.462 | 93.906 | | | |
| 14 | .360 | 1.333 | 95.238 | | | |
| 15 | .283 | 1.050 | 96.288 | | | |
| 16 | .250 | .924 | 97.213 | | | |
| 17 | .164 | .606 | 97.819 | | | |
| 18 | .138 | .512 | 98.330 | | | |
| 19 | .107 | .396 | 98.726 | | | |
| 20 | .097 | .359 | 99.085 | | | |
| 21 | .082 | .305 | 99.390 | | | |
| 22 | .067 | .248 | 99.638 | | | |
| 23 | .044 | .163 | 99.801 | | | |
| 24 | .027 | .098 | 99.899 | | | |
| 25 | .013 | .048 | 99.948 | | | |
| 26 | .009 | .034 | 99.982 | | | |
| 27 | .005 | .018 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

The Table 14 represents the actual factors that were extracted. The section labeled "Rotation Sums of Squared Loadings" shows only those factors that met the researchers cut-off criterion. In this case there were 5 factors with Eigenvalues greater than one. The rest didn't make the grade. The "% of variance" column tells how much of the total variability in all the variables together can be accounted for by each of these summary scales or factors. Factor 1 accounted 20.594% of the variability in all the 27 variables, Factor 2 accounts 17.64% of the variability in all the 27 variables, and Factor 5 accounts 7.986% of the variability in all the 27 variables.

**Table 15 Rotated Matrix**

| | Component | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Management acts | | | | | .853 |
| Ethical values | | .681 | | | |
| Appropriate measures | | | | *.551* | *.553* |
| Financial management skills and knowledge | .663 | | | | |
| The board of governors | | .589 | | | |
| Management provides feedback | | .611 | | | |
| The institution has | | | | | .579 |
| Corrective actions | | .613 | | | |
| Staffs are trained | | .651 | | | |
| There is appropriate supervision | | .614 | | | |
| The security system | | | | .539 | |
| Effectiveness of internal | | .573 | | | |
| Management policy | | .514 | | | |
| The government supports | | | .900 | | |
| The government disburses funds | | | .725 | | |
| Procurement procedures | | | .727 | | |
| Funding of Technical institutions | | | .711 | | |
| Government financial regulation | | | .879 | | |

| | | | | | |
|---|---|---|---|---|---|
| The institution has enough cash | .572 | | | | |
| The institution's accounting system | .871 | | | | |
| Outstanding fees | .881 | | | | |
| Prompt payment of short term obligation | | .745 | | | |
| There is efficient utilization of fixed assets | .727 | | | | |
| The institution does keep investment in cash | | | | .705 | |
| The institution does consider costs return and risk | .798 | | | | |
| The institution has proper cash management system | | | | .688 | |
| The institution has proper credit policy. | .729 | | | | |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 9 iterations.

The Table 15 represents the Rotated Component Matrix. The Rotated Component Matrix shows the factor loadings for each variable. The subsets: Outstanding fees are dully paid in time (.881) The institution's accounting system adequately identifies receipts and expenditure (.871) and The institution does consider costs return and risk factors in establishing inventory policy (.798) loaded strongly on factor 1 with (.881), (.871) and (.798) respectively. Subset Ethical values are upheld in all management decisions (.681) and Prompt payment of short term obligation by the institution (.745) loaded strongly on factor 2 respectively. Subset: The government supports the instructions financial management training (.900), and Government financial regulation on the financial management practices in public technical institutions (.879) loaded strongly on factor 3 respectively. The subset: The institution does keep investment in cash as low as possible while keeping the institution operating efficiently (.705), and The institution has proper cash management system (.688) loaded strongly on factor 4 respectively. Subset: Management acts

with a great degree of integrity in execution of their roles (.853) and, The institution has corrective actions to address weakness (.579) Loaded strongly on factor 5 respectively.

## 4.9 Estimated Model

The general objective of this study was to determine the factors affecting financial liquidity of Public Technical Training Institutions in Kenya. The responses from the questionnaires were transformed to produce data that could be regressed in order to appreciate the degree of influence of the independent variables on the independent variable. A multiple regression analysis was conducted to determine the expected relationships between management competence, control activities, and government financial support and financial liquidity. The multiple regression analysis was conducted at 95% confidence level. The regression analysis provided estimate equations to predict the magnitude of the dependent variable and provide values for the predictor variables.

### 4.9.1 Model Summary

The Model Summary provides information about the regression line's ability to account for the total variation in the dependent variable. The section shows the correlation between the two variables (R). The findings are represented in the Table 16.

**Table 16 Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .809[a] | .654 | .615 | 5.48605 |

Predictors: (Constant), Government Financial Support, Management Competence, Control Activities.

To explain the percentage of variation in the dependent variables (financial liquidity) that is explained by independent variables (management competence, control activities, and government finance support),

coefficient of determination was obtained from the Model Summary in Table 15 which explains the extent to which changes in the dependent variable is explained by the changes in the independent variables. This variation is explained by an R value of 0.809 which reveals that there is a strong correlation between the two variables. The value of R square was 0.654 indicating that 65.4% of the variation in the dependent variable (financial Liquidity) was explained by the independent variables (management competence, control activities, and government finance support).

### 4.9.2 Analysis of Variance

Analysis of variance shows the relationship between the two variables. This section shows the P-Value of the predictor's effect on the criterion variable. P-value less than 0.05 are generally considered statistically significant. In this study, the researcher observed the relationship between management competence, control activities, and government finance support and financial liquidity.

**Table 17 ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1535.388 | 3 | 511.796 | 17.005 | .000[b] |
| | Residual | 812.612 | 27 | 30.097 | | |
| | Total | 2348.000 | 30 | | | |

a. Dependent Variable: Financial Liquidity
b. Predictors: (Constant), Government Financial Support, Management Competence, Control Activities

From the table 17, ANOVA test shows that F (3, 27) =17.005, p=0.000[b]. It means that the processed data had a significant level of 0.000. This implies that the model is significant (P-Value < 0.05) at 0.05thus relevant in predicting the linear relationship between management competence, control activities, and government finance support, and financial liquidity performance as the value of significance (P-Value=0.000[b]) is less than 5%. The significance

value was less than 0.05, an indication that the model was statistical significant. This shows that the effect of the predictor variables on the dependent variable was statistically significant. This reveals that the data fits the model.

### 4.9.3 Test of Coefficients

This section shows the beta coefficients for the actual regression equation. The focus is mainly the "Unstandardized coefficients" because this section includes a y-intercept term (beta zero) as well as a slope term (beta one). The standardized coefficients are based on a re-scaling of the variables so that the y-intercept is equal to zero.

**Table 18 Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.787 | 5.295 | | .337 | .738 |
| | Management Competence | .297 | .446 | .171 | .665 | .512 |
| | Control Activities | .839 | .364 | .613 | 2.302 | .029 |
| | Government Financial Support | .166 | .194 | .105 | .855 | .400 |

a. Dependent Variable: Financial Liquidity.
b. Predictors: (Constant), Government Financial Support, Management Competence, Control Activities

Thus, the regression equation for factors influencing financial liquidity of technical institutions can be expressed as:

$$FL = 1.787 + 0.297_{M\,C} + 0.839_{CA} + 0.166_{GFS} \quad \text{.....(ii)}$$

The Table 18 shows the coefficients of the respective independent variables which are the indicators of the degree and direction of influence of the independent variable on the dependent variable of financial liquidity. The output shows that a one unit change in Management

competence causes a 0.297 increase in improvement of financial liquidity performance of technical institutions. The significance of the management competence variable was supported by the t values whose significance value was more than 0.005 which indicates that the variables were not statistically significant in influencing financial liquidity of public technical institutions in Kenya. The finding reveals that there is lack of professionalism in the management of financial liquidity of technical institutions. Kaburi, (2007) found out that there is lack of professionalism in financial management of education institutions in Kenya.

A one unit change in Control Activities causes a 0.839 increase in improvement of financial liquidity performance. This implies that internal controls affect positively financial liquidity of technical institutions. The management has put in place good policies and procedures. The significance of the control activities variable was supported by the t values whose significance value was less than 0.005 which indicates that the variable was statistically significant in influencing financial liquidity of public technical institutions in Kenya. This seems to agree with Ray and Pany (2001) who believed that control activities are policies and procedures that help ensure that management directives are carried out.

An increase in government financial support causes a 0.166 increase in the improvement of financial liquidity performance of technical institutions. The significance of the management competence, variable was supported by the t values whose significance value was more than 0.005 which indicates that the variables were not statistically significant in influencing financial liquidity of public technical institutions in Kenya. This shows that there is a problem in the implementation of government financial support activities. This is in agreement with Weda (2013) who found out that there is a major problem in government financial management

implementation in education institutions in Kenya which include lack of financial training and late disbursement of funds.

### 4.10 Summary and Interpretation of the Findings

The main objective of this study was to determine the factors affecting financial liquidity of Public Technical Training Institutions in Kenya. The study was to establish the relationship independent variables and dependent variable. Multiple Regression analysis was used in analyzing data to achieve the study objective.

The model summary in table 16 contains R square representing the proportion of the variability in one series that can be explained by the variability of one or more series in a regression model. The table examines R value for the model. $R^2$ measures correlation between the dependent and the independent variables that provides information about fitness of a model. The higher the value of $R^2$ the better is the fitness of a model. The value of $R^2$ is between 0 and 100%. If $R^2$ is 1(100%), the regression line perfectly fits the data and vice-versa. In this study $R^2$ is 65.4% revealing that there is a high percentage that the line perfectly fits the data.

Model Summary in Table 16 which explains the extent to which changes in the dependent variable is explained by the changes in the independent variables. This variation is explained by an R value of 0.809 which reveals that there is a strong correlation between the two variables. The value of R square was 0.654 indicating that 65.4% of the variation in the dependent variable (financial Liquidity) was explained by the independent variables (management competence, control activities, and government finance support). This means that other factors not studied in this research contribute 34.6% of the financial liquidity improvement.

The adjusted R square also referred to as the coefficient of multiple determinations is the percent of variance in the dependent explained uniquely or jointly by the dependent variable. The

findings show that adjusted R Square was 0.615 meaning that the regression line explains 61.5% of financial liquidity. The changes are caused by the independent variable included in the regression line. Therefore error term or the residual account for the other factors is 38.5%.This means that there is a strong relationship between financial liquidity and management competence, control activities, and government finance support.

The sum of squares column in table 17 represents the amount of the total sum of squares in the dependent variable that is not explained by the least squares regression line. SPSS refers to sum of squares error as sum of squares residual error. Thus of the total sum of squares that is explained by the regression line this regression model leave 812.612 unexplained. From the ANOVA, the value of significance (P-Value=0.000[b]) is less than 5%. The significance value was less than 0.05, an indication that the model was statistical significant. This shows that the effect of the predictor variables on the dependent variable was statistically significant. This reveals that the data fits the model. It is evident from the study that the three independent variables have a great significant influence on the financial performance.

Table 18 summarizes the coefficients of the variables. According to the regression equation established, taking all factors (Government Financial Support, Management Competence, Control Activities) constant, the financial liquidity of technical institutions as a result of the independent factors will be 65.4 %. This regression model shows that Government Financial Support, Management Competence, Control Activities have significant influence in the financial liquidity of technical institutions. The error term amounts to a positive figure of 5.295 which is the standard error accepted for the factor (independent factors) to be considered effective in controlling financial liquidity of technical institutions.

The results from the coefficients summary indicate that significance of coefficients of Management competence, Control activities, and government financial support are 0.297, 0.839 and 0.166 respectively. The significance of coefficients range is 0.1 to 0.9, whereby the coefficients closer to 0.1 indicate less impact and those close to 0.9 indicate greater impact. It thus implies that control activities do have a greater influence on financial liquidity, followed by management competence, and lastly government financial liquidity. The deduction on the standard error covers a level of up to 5.295 whereby management competence has an error of 0.446, control activities has an error of 0.364 and the government financial support has an error of 0.194.

# CHAPTER FIVE
# SUMMARY, CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

The chapter presents the summary of the findings from the discussion in chapter four and also gives conclusions and recommendations based on the objective of the study. The chapter ends with suggestions for further studies.

## 5.2 Summary of the Study

The main objective of the research was to determine the factors affecting financial liquidity of Public Technical Training Institutions in Kenya. Three objectives were developed to guide the study which include: Assess the effect of management competence on the financial liquidity of Public Technical Training Institutions in Kenya; Determine the influence of control activities on the financial liquidity of Public Technical Training Institutions in Kenya; and Determine the effect of the government financial support on the financial liquidity of Public Technical Training Institutions in Kenya. The target respondents were the Principals, Finance officers and Accountants who are usually responsible for financial operations of the 12 Technical, Vocational and Training Institutions (Ministry of Education, 2016). The findings of the study were:

### 5.2.1 Management Competence

The study found out that management competence had a strong significant effect on the financial liquidity of technical institutions. The management competence practices researched included: The Board of Governors and its committees are independent of management; Financial management skills and knowledge of finance officers plays a key role in financial liquidity management; Ethical values are upheld in all management decisions; Management provides

feedback to the junior officers about the operation of the finance systems; Management do not act with a great degree of integrity in execution of their roles, and that Appropriate measures are not taken to correct mistakes or illegal actions in operation.

The study was consistent with (Whittington and Pany, 2001) who argued that the integrity and ethical values of personnel responsible for creating, administering, and monitoring of financial liquidity, commitment and competence of persons performing assigned duties such as board of directors, management philosophy and operating style in terms of their risk appetite, and organizational structure which provide proper planning, directing and controlling operations affects financial liquidity of Technical, vocational education and training institutions.

### 5.2.2 Control Activities

The study showed that control activities had a strong influence on financial liquidity. The control activities researched include separation of roles, corrective action taken to correct weakness, training of staff, supervision of the juniors, security of the accounting systems, and effective of the internal controls, management policy and operational policy. The result revealed that a unit increase in Control Activities would lead to an increase in improvement of financial liquidity level by 0.839. The study shows that there is a significant positive relationship between control activities with financial liquidity.

### 5.2.3 Government Financial Support

The study has revealed that government financial support influence financial liquidity of technical institutions. The results showed that a unit increase in Control Activities would lead to an increase in improvement of financial liquidity level by 0.166. The researcher found out that

there is a moderate significant positive relationship between government financial support with financial liquidity.

## 5.3 Recommendation

The study recommends that technical institutions in Kenya should enhance the control activities by adopting more stringent policies and procedures. There should be continuous training, seminars and workshops on control activities by financial management staff.

Since it was evident from the study that management competence and government financial support are not statistically significant in influencing financial liquidity, the study recommends government should enhance the implementation of government financial support activities. Technical institutions should develop strategies of improving the management competence for proper management of financial liquidity.

## 5.3 Conclusion

The study has shown that management competence, control activities, and government financial support affect financial liquidity of public technical institutions in Nairobi County, Kenya, with notable degree of influence. The results of the research shows that control activities is very significant factor influencing financial liquidity of technical institution, followed by management competence and lastly government financial support

The study found out that there is a strong significant positive relationship between control activities and financial liquidity of technical institutions in Kenya with a unit increase in control activities would lead to increase in improvement in financial liquidity level by factor 0.839, and a unit increase in management competence would lead to increase in improvement in financial liquidity by 0.297 and a unit increase in government financial support would lead to an increase in improvement of financial liquidity by 0.166. The study concludes that management

competence, control activities and government financial support are significant factors that affect financial liquidity of technical institutions in Nairobi, Kenya.

The researcher recommends that there should be continues improvement on the implementation of government financial support to reduce financial management risk that compromise the quality of education. This because, from the study, it is evident that significant financial management practices has been left in the hands of the institutions.

## 5.4 Limitation of the Study

In getting the objective of the study, the study was limited to 12 of the Public Technical Training institutions in Kenya from which only 32 responses were received. The study was also limited to the degree of precision of the data obtained from the respective respondents.

The study used questionnaire as the instrument for collecting data due to the nature of the organizations and unavailability of secondary data.

## 5.5 Suggestion for Further Study

The following areas are recommended for further research:

Given that this study only covered the factors affecting Public Technical training institutions in Nairobi, other studies need to be done on public universities in Kenya.

The study on factors affecting Public Technical training institutions in Nairobi had few respondents. Other similar studies can be done focusing on more respondents to increase the confidence level.

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# APPENDICES

**Appendix A**

**Questionnaires**

**Section A: Basic Information**

1) Kindly indicate you gender

Male [ ] Female [ ]

2) Kindly indicate your age?

a) 18 to 25 years [ ] b) 26 to 35 years [ ]

c) 36 - 45 years [ ] d) 46 to 55 years [ ]

e) Over 55 years [ ]

3) Please indicate your education level?

a) Primary Education [ ] b) Secondary Education [ ]

c) Tertiary Education [ ] d) University/Graduate Education [ ]

e) Post-Graduate Education [ ] f) Doctor of Philosophy [ ]

4) Please Indicate your Position in your Institution?

a) Principal [ ]

b) Finance officer [ ]

c) Accountant [ ]

3) For how many years have you been employed by the Institution?

a) Less than 5 Years [ ] b) 6 -10 Years [ ]

c) 11 to 15 years [ ] d) 16 to 20 years [ ]

e) More than 20 years [ ]

**Section B: Factors Affecting Financial Liquidity of Technical Institutions.**

Below are the statements on factors affecting financial liquidity of technical institutions.

**1 Management Competence**

To what extent have the following management competence affect the financial liquidity of Public Technical Training Institutions in Nairobi County, Kenya? Use the following scale: 1 = Very Small Extent; 2 = Small Extent;. 3= Moderate; 4= Great Extent; 5= Very Great Extent. [Mark with an X].

| Management Competence | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Management acts with a great degree of integrity in execution of their roles. | | | | | |
| Ethical values are upheld in all management decisions. | | | | | |
| Appropriate measures are taken to correct mistakes or legal actions in operation. | | | | | |
| Financial management skills and knowledge of finance officers plays a key role in financial liquidity management. | | | | | |
| The board of governors and its committees are independent of management. | | | | | |
| Management provides feedback to the junior officers about the operation of the finance systems. | | | | | |

**2 Control Activities**

To what extent have the following control activities influence the financial liquidity of Public Technical Training Institutions in Nairobi County, Kenya? Use the following scale: 1 = Very Small Extent; 2 = Small Extent;. 3= Moderate; 4= Great Extent; 5= Very Great Extent.

[Mark with an X].

| Control Activities | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The institution has clear separation of roles. | | | | | |
| Corrective actions are taken to address weakness. | | | | | |
| Staffs are trained to implement the financial management systems. | | | | | |
| There is appropriate supervision by senior staff on the work of their juniors. | | | | | |
| The security system identifies and safeguards institutional assets | | | | | |
| Effectiveness of internal control system | | | | | |
| Management policy and operational policy on financial liquidity of Technical institutions. | | | | | |

## 3 Government Funding Support

To what extent have the following government financial support practices affect the financial liquidity of Public Technical Training Institutions in Nairobi County, Kenya? Use the following scale: 1 = Very Small Extent; 2 = Small Extent;. 3= Moderate; 4= Great Extent; 5= Very Great Extent.

[Mark with an X]

| Government Financial Support | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The government supports the institions financial management training. | | | | | |
| The government disburses funds to the institutions on time. | | | | | |
| Procurement procedures are favorable to technical institutions. | | | | | |
| Funding of Technical institutions is based on varying length of Technical, vocational education and training institutions courses. | | | | | |
| Government financial regulation on the financial management practices in public technical institutions. | | | | | |

## 4 Financial Liquidity

Rank the extent to which your institution measure financial liquidity management. Use the following scale: 1 = Very Small Extent; 2 = Small Extent;. 3= Moderate; 4= Great Extent; 5= Very Great Extent.

[Mark with an X]

| **Financial Liquidity** | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The institution has enough cash to meet its obligations effectively. | | | | | |
| The institution's accounting system adequately identifies receipts and expenditure. | | | | | |
| Outstanding fees are dully paid in time | | | | | |
| Prompt payment of short term obligation by the institution. | | | | | |
| There is efficient utilization of fixed assets by the institution | | | | | |
| The institution does keep investment in cash as low as possible while keeping the institution operating efficiently. | | | | | |
| The institution does consider costs return and risk factors in establishing inventory policy. | | | | | |
| The institution has proper cash management system. | | | | | |
| The institution has proper credit policy. | | | | | |

**Apendix B**

**List of Public Technical Institutions in Kenya**

| | |
|---|---|
| 1 | Kenya Teachers Technical Training College |
| 2 | Kenyan Armed forces Technical College |
| 3 | Nairobi Technical Training Institute |
| 4 | NYS technical College Nairobi |
| 5 | YMCA National Training Institute Nairobi |
| 6 | Regional institute of science and Technology |
| 7 | Kabete Technical Training Institute |
| 8 | PC Kinyanjui Technical Training Institute |
| 9 | K.P.L.C. Technical. Training Institute |
| 10 | Kenya Institute of Highways & Building Technology |
| 11 | Railways Training Institute |
| 12 | Karen Technical Institute for the Deaf |
| 13 | Baringo Technical Training |
| 14 | Emining Technical Training |
| 15 | Sot Technical Training Institute |
| 16 | Kisiwa Technical Training |
| 17 | Matili Technical Training Institute |
| 18 | Musakasa Technical Training |
| 19 | Sang'alo Institute of Science and Technology |
| 20 | Bumbe Institute of Technology |
| 21 | Jeremiah Nyaga Training Institute |
| 22 | NEP Technical Training Institute |
| 23 | Mawego Technical Training |
| 24 | Vocational Training Centre for the Blind and Deaf-Sikri |
| 25 | Masai Technical Training Institute |
| 26 | Bushiangala Technical Training Institute |

| | |
|---|---|
| 27 | Shamberere Technical Training Institute |
| 28 | Sigalagala Technical Training Institute |
| 29 | Bureti Technical Training Intitute |
| 30 | Kiambu Institute of Science and Technology |
| 31 | Thika Technical Training Institute |
| 32 | Godoma Technical Training Institute |
| 33 | Gusii Institute of Technology |
| 34 | Keroka Technical Training Institute |
| 35 | Kisumu Polytechnic |
| 36 | Ramogi Institute of Advanced Technology |
| 37 | Katine Technical Training Institute |
| 38 | Machakos Technical Institute for the Blind. |
| 39 | Wote Institute of Technology |
| 40 | Coast Institute of Technology |
| 41 | Kiirua Technical Training Institute |
| 42 | Meru Technical Training Institute |
| 44 | Mitunguu Technical Training Institute |
| 45 | Mukiria Technical Training Institute |
| 46 | N'kabune Technical Training Institute |
| 47 | Mombasa Technical Training Institute |
| 48 | Michuki Technical Training Institute |
| 49 | Tseikuru Technical Training Institute |
| 50 | Aldai Technical Training Institute Institute |
| 51 | Kaiboi Technical Training Institute |
| 52 | Ol'lessos Technical Training Institute |
| 53 | Ekerubo Gietai Technical Training Institute |
| 54 | Nyandarua Institute of Science and Technology |
| 55 | Mathenge Technical Training Institute |
| 56 | Mukurweini Technical Training Institute |
| 57 | Nyeri Technical Training Institute |

| | |
|---|---|
| 58 | Bondo Technical Training Institute |
| 59 | Siaya Institute of Technology |
| 60 | St. Joseph's Technical Institute for the Deaf, Nyang'oma |
| 61 | Coast Institute of Technology |
| 62 | Kitale Technical Training Institute |
| 63 | Eldoret Polytechnic |
| 64 | Rift Valley Technical Training Institute |
| 65 | Ziwa Technical Training Institute |
| 66 | Friends College Kaimosi |

**List of Public Technical Institutions in Kenya, Nairobi County**

| | |
|---|---|
| 1 | Kenya Teachers Technical Training College |
| 2 | Kenyan Armed forces Technical College |
| 3 | Nairobi Technical Training Institute |
| 4 | NYS technical College Nairobi |
| 5 | YMCA National Training Institute Nairobi |
| 6 | Regional institute of science and Technology |
| 7 | Kabete Technical Training Institute |
| 8 | PC Kinyanjui Technical Training Institute |
| 9 | K.P.L.C. Technical. Training Institute |
| 10 | Kenya Institute of Highways & Building Technology |
| 11 | Railways Training Institute |
| 12 | Karen Technical Institute for the Deaf |

**Appendix C**

**RESEARCH PROJECT WORK SCHEDULE**

| **TIME**<br><br>**(Weeks)** | **Activity** | **Deadline** |
|---|---|---|
| 1 | Get to know My supervisor | Jan. 1st to Feb. 2nd 2017 |
| **2** | **Discuss the research topic you have proposed with your Supervisor** | **Feb. 2nd 2017** |
| 3 | Develop your proposal and submit to Supervisor for approval (Chapter 1 and 3) | Feb.6th to 31st May 2017 |
| **5** | **Defend Proposal** | **June 24th 2017** |
| 6 | Embark on primary data collection- Field work | July 4th to 10th 2017 |
| 9 | Data analysis | July 11th to 20th 2017 |
| 10 | Develop and submit 2 spiral bound and labeled copies to the Coordinator | July 25th to 28th 2017 |
| **11** | **Defense Presentation** | **August 10th to 24th 2017** |
| 12 | Develop final project work. Submit 2 neatly bound copies and a CD | Sept. 1st to 29th 2017 |

**Appendix D**

## Budget for the study

| **Description** | **Unit(s)** | **Cost @ unit (Shs)** | **Total (Shs)** |
|---|---|---|---|
| Printing Papers | 1 Realm | 400.00 | 400.00 |
| Flash Disk | 1 Piece | 1,000.00 | 1,000.00 |
| Printing | 200 Pages | 5.00 | 1000.00 |
| Questionnaire Development | 30 Copies | 30.00 | 900.00 |
| Travelling | | 5,000.00 | 5,000.00 |
| Miscellaneous Expenses (Airtime, data bundles) | | 6000.00 | 6000.00 |
| **Total** | | | **14,300.00** |