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Determinants of Financial Sustainability of Government Owned Entities in Kenya. A Case Study of Kenya Bureau of Standards (KEBS)

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ABSTRACT

Financial sustainability refers to a company's capacity to meet its yearly budgets without constraints. The term "financial sustainability" refers to an organization's capacity to continue operating continuously. When an organization has lack of financial sustainability, a gap is created that makes it difficult to achieve success, the study aimed at identifying determinants of financial sustainability of Government Owned Entities in Kenya. A Case Study of Kenya Bureau of Standards (KEBS). The study's specific objectives will be to determine the impact of working capital management, financial risk management, financial resource utilization, and financial investments on financial sustainability at the Kenya Bureau of Standards (KEBS). The study will utilize a descriptive design and a quantitative research approach to ensure the formation of correlations and cause-effect relationships, which are critical for the feasibility of the constructs. The study's target population will be 120 KEBS employees, with a sample of 60 responders acquired. A questionnaire was used to collect data for the study. The instrument was tested to ensure its validity and reliability for a legitimate study. The collected data was analyzed with SPSS before being presented in tables and figures for interpretation. According to the findings of the research, the Institution has a timely and effective system of collecting receivables for smooth financial operations. The finding was that hedging against loss to preserve the value of cash flows from changes in financial pricing, such as interest rates, is prevalent in the company. The conclusion was that the institution should collaborate with the government to help align spending and revenue. The research also stated that the Institutional policy provides for diverse financial investments with a good return on investment. The report advises that creative financial assessment models that encompass primary goals of GoEs be developed rather than existing financial evaluation methods that focus on profit and loss, which have compromised GoE accomplishment. This will allow them to analyze their production and how they have been able to attain and contribute to the development of social value. The study suggests that GoEs manage their risks by adopting a financial risk assessment methodology, which will allow them to handle any expected risks as they emerge. Quality management systems must also be implemented. The study suggests that the management of these GoEs be educated on the importance of investment as a fundamental objective for GoEs. There is a need for an investment policy to be formed, as well as a ministry to support GoEs in new innovation and investment diversification. Encourage the funding of projects and technology that reduce environmental degradation. This will benefit GoEs, particularly those involved in agriculture, which rely on the environment for their products and raw materials. GoEs should incorporate stock-level assessment and determination procedures such as economic order quantities to maintain reorder levels and avoid overstocking and holding cash; alternatively, certain assets might be converted to liquidity for immediate use or investment. A policy for the disposal of idol assets should be developed to ensure that assets that have outlived their useful life are removed and disposed. This will free up funds that the organizations or investors may utilize to make a significant profit.

Keywords: Government Owned Entities, Organization for Economic Cooperation and Development, Gross Domestic Product, Kenya Bureau of Standards, Financial Sustainability, Financial Resource Utilization, Working Capital Management, Financial Investments

INTRODUCTION

Financial sustainability is defined as the capacity to meet yearly budgets without constraints. It denotes that an organization's income or revenue exceeds its operating expenditures (Pollinger, Outhwaite & Cordero-Guzman, 2007).

Government Owned Entities (GoEs) are unique legal entities founded and operated wholly or partially by the government, with full, majority, or substantial minority ownership (Kabdiyeva, 2013). They are government-created assets that are competently and honestly managed on behalf of people, guaranteeing value generation for society (Organization for Economic Cooperation and Development (OECD), 2014). Financial sustainability is an aim shared by all organizations. It allows businesses to pay administrative expenses and prioritize operations in order to achieve their objectives without having to engage in lengthy financial disputes with the government or funders.

Nonetheless, the percentage of GoEs that achieve financial sustainability remains very low because they face a slew of challenges, particularly in the twenty-first century, such as increased market competition, a globalized economy, and the inability to obtain critical funds to carry out the necessary activities to fulfill their mission, all of which have an impact on their financial sustainability and force them to rely on a government or donor (ICAEW,

2014). They must use increasingly complex strategies to assure financial sustainability, since their existence is dependent on their capacity to do so. Financial sustainability difficulties emerge at the global, regional, and local levels.

Government-owned entities (GoEs) account for at least 25% of investments and employment, and nearly 40% of worldwide economic activities (World Bank, 2014). According to the OECD (2014) research, in emerging countries that are mostly agricultural, GoEs contribute between 25% and 50% of the urban economy.

According to Amanda (2015), Canada's government sector is the second biggest in the world, contributing $176 billion to the national economy in 2012, accounting for 8% of Gross Domestic Product (GDP) and employing two million Canadians. GoEs are increasingly dependent on corporate and government support, which causes funders to demand more sustainable operations, management, and business models (Okorley & Nkrumah, 2012). In Canada, despite the GoEs contributing $176 billion to the economy, they are increasingly confronted with obstacles that restrict their expansion and viability, leaving their social economic aims unachieved since they rely on a single source of revenue (Amanda, 2015). Globally, GoEs are recognized to be under intense pressure to enhance their performance in the face of increased globalization, market liberalization, and fiscal indiscipline (Leon & Cock, 2016).

In several African nations, GoEs, also known as State Owned Entities, are entities that are undergoing transition into state-owned businesses (Harding, 2014). Their main mission is to promote the government's social and economic goals. They contribute up between 25% and 50% of the urban economy in emerging nations (OECD, 2014). They have the potential to be important instruments in nations' development agendas and have an impact on the larger commercial sector inside their own countries (OECD, 2014). However, these GoEs have been undergoing reforms in order to maintain their long-term viability, with countries such as Lesotho, Mauritius, Mozambique, South Africa, Tanzania, and Zambia conducting evaluations to investigate their vital role (OECD, 2014).

The basic principle of GoEs is that they must retain their financial agility in order to continue providing social and economic wellbeing, which necessitates stable and continuous availability of resources. When capital structure levels and standards are improved in accordance with the entities' long-term goal, financial sustainability may be attained (Bowman, 2011). Financial instability is well-known in GoEs, which is defined by developmental problems impacted by a fluid regional and global context. Key talent shortages, particularly among accountants and auditors, have significantly harmed the growing GoEs system in the region (Kristin, 2016). Mismanagement, waste of public resources, and diverting cash away from productive activities are some of the other problems preventing GoEs from achieving financial sustainability on a regional level (OECD, 2014).

Leon and Kocks (2016) examined the financial sustainability of municipal councils in South Africa and concluded that the financial stability of South Africa's key local municipalities is weak and likely to deteriorate in the short to medium term, which has a direct impact on the country's economic growth and development, which is desperately needed to reduce unemployment. Leon and Kocks imply that financial sustainability has been hampered by a lack of skill levels, inexperience in managerial quality, financial indiscipline, and poor governance. In South Africa, for example, the municipal sector's lack of financial stability harmed the economy and increased financial pressure on the central government to provide financial assistance in order to keep operations running (OECD, 2014).

Locally, the GoEs have been undergoing various transformations. The Government's State Corporation reform agenda in 2013, which saw the merger and establishment of GoEs, was driven by a lack of adherence to the formation framework, which often resulted in duplication of government functions and inefficiencies, and more than often resulted in a scramble for government subsidies. This triggered changes to create lean government-owned enterprises (GOEs) that would support and drive the government's aim of providing social and economic benefits to citizens (GOK, 2013). The GoEs, in instance, accounted for 12.5% of GDP (GOK, 2013).

Locally, financial sustainability for GoEs has become a significant issue and a point of emphasis as a long-term objective that requires coordinated efforts and a continuous process that is an intrinsic part of the day-to-day management agenda. There has been an increase in the expectations and pressure on GoEs to be financially nimble; if these demands are not answered by developing methods of maintaining financial sustainability, they will have far-reaching effects (GOK, 2013). The way businesses operate and react to both internal and external circumstances, as well as innovation and leadership styles, all have an impact on their effort to enhance their financial soundness. GoEs are also subjected to unfair competition, uncertain revenues, market rivalry, economic downturns, inefficiency, bad management, corruption, and political intervention, all of which lead to an overreliance on government subsidies, jeopardizing their long-term viability (Muthoka & Ogutu, 2014).

According to Mutinda and Ngahu (2016), essential features of financial sustainability include strong financial practices, active money management, planning, the capacity to innovate, and infrastructure development. A sustainable organization can thrive in the long term by producing its own money rather than relying on donations from donors, financiers, and well-wishers (Nganga & Kibati, 2016).

To become financially sustainable, GoEs must employ measures that allow them to assess and compare their performance against other entities through an analysis of various indicators that are not limited to normal financial evaluation but focus on key objectives, adopt approaches in strategic planning, administration and finances, fundraising policies, planning, and implementing these strategies for their day-to-day management.

Statement of the Problem

Financial sustainability is critical for every organization's functioning and long-term existence, and it cannot be overstated (Leon & Cock, 2016). It is the organization's capacity to endure for an extended period of time without relying on external subsidies from donors or the government (Mutinda & Ngahu,

2016). GoEs have a significant burden of satisfying social and economic agendas, being responsible to state institutions, and having obligations for ensuring judicious use of public resources, which makes their existence vital, resulting in the crucial requirement for financial sustainability.

Nonetheless, despite evidence that many GoEs' financial performance has improved in the last decade, the proportion of GoEs that have attained financial sustainability has remained quite low, particularly in the twenty-first century (OECD, 2014). In China, GoEs reported an increase in average return on equity from 2.2 % in 2007 to 15.7 % in 2009, before falling back to 10.9 % in 2010, (World Bank, 2013). Prior the decline, GoEs in India produced a 17% return on equity in 2010, (Abubakar, 2010). In Kenya, despite trends indicating progress in financial position as seen by a rise in domestically produced revenue from 9.54 % in 2008/2009 to 11.64 % in 2010/2011, there has been a downward tendency since then (GOK, 2013).

Globally, GoEs face a number of vulnerabilities, including increased market competition, a globalized economy, inability to obtain critical funds, reliance on a single source of funding, weak balance sheets and low capitalization, poor underlying profitability, and high nonperforming loans, as well as increased globalization, market deregulation, and fiscal discipline (OECD, 2014, Amanda 2015, Padilla et al., 2012). GoEs in African nations such as Lesotho, Zambia, Mauritius, South Africa, and Tanzania were undergoing change to assure financial sustainability due to corruption, management appointments without the appropriate skills, limited adequate financial reporting, and unsound governance (Leon & Kock, 2016). Poor performance of GoEs in Kenya has been linked to inefficiency, job duplication, inability to use resources, lack of financial management skills, and over-reliance on government subsidies. Despite the Government's numerous policies and attempts to help these GoEs, such as privatization initiatives, higher subsidy levels, and Treasury carrying out debt restructuring for certain particular GoEs, this has had a detrimental impact on their drive for financial sustainability (GOK, 2013).

There have been few reviews of financial sustainability that have addressed these issues. Amanda (2015) found that reliance on a single financial resource provider has an impact on the sustainability of non-profit organizations. Nganga and Kibati (2016) investigated the drivers of financial sustainability at private middle-level colleges in Nakuru County, focusing on the impact of capital structure and resource allocation on financial sustainability. Wafula, Mutua, and Musiega (2017) investigated the financial sustainability factors of Kenyan microfinance organizations. They stressed the need of MFIs improving their financial performance by implementing growth-oriented initiatives. Ndege, Mohamed, and Rukangu (2016) investigated management factors influencing financial sustainability of Youth Enterprise Development Fund (YEDF)-funded youth projects focusing on leadership and youth entrepreneurship training and discovered that it is influenced by leadership and youth entrepreneurship training. Karanja and Karuti (2014) assessed the variables impacting the sustainability of non-governmental organizations in Kenya, with an emphasis on government policies, and concluded that the government should implement policies to guarantee financial sustainability.

Based on these past researches, it is precise that there had been little research on the financial sustainability of GoEs in Kenya. The majority of research conducted in this area focused on private sectors other than the GoEs. A gap therefore exists, which prompted the great urge to undertake this research. This research will only focus on the factors of financial appropriateness of Kenyan GoEs, analyzing the following variables and their impact on financial sustainability: financial resource use, working capital management, financial investments, and financial risk management. The purpose of this study was to fill a research gap by investigating the determinants of financial sustainability of GoEs in Kenya.

Objectives of the Study

General Objectives

The general aim of the study was to find out the determinants of financial sustainability of government owned entities in Kenya. A case study of Kenya Bureau of Standards (KEBS).

Specific Objectives

The research was guided by the following objectives.

i. To find out the effect of working capital management on financial sustainability at KEBS.

ii. To evaluate the influence of financial risk management on financial sustainability at KEBS.

iii. To establish the influence of financial resource utilization on financial sustainability at KEBS.

iv. To analyze the effect of financial investments on financial sustainability at KEBS.

Significance of the Study

The government is the primary supplier and facilitator of GoEs, in order for them to accomplish their social and economic goals. The research will establish what factors have a detrimental effect on the financial sustainability of GoEs and so takes a significant step toward educating on what should be done to achieve financial sustainability. Kenya operates under a decentralized government structure, with ministries responsible for economic growth, poverty reduction, and job creation, (Omeri, 2014). This research assists policymakers in their efforts to foster an enabling environment and craft policies that enhance financial sustainability. It also establishes a framework for effectively operationalizing the GoEs operations for economic growth.

The findings of this study will be used to establish standards and benchmark best practices for financial sustainability. Additionally, managers will get information that is pertinent to their decision-making paradigm and will be able to conduct day-to-day operations. Donors and investors want to see GoEs

achieve greater financial sustainability and dependence reduction, while also lowering agency costs and strengthening the connection between principals and agents. As a result, they will use the factors discovered and tactics outlined to obtain insights and take necessary action.

To the scholars, the study adds value to the current body of information by recommending prudent management of the GoEs' resources in order to improve their financial sustainability. The findings of this study give insight to other businesses. The study findings will continue to be a primary focus of research on other factors affecting financial sustainability.

LITERATURE REVIEW

Theoretical Literature review

Theoretic review explains and predicts phenomena, in many circumstances, to test and enhance existing knowledge within the constraints of essential bounding assumptions. The theoretical overview presents and discusses the theory that explains why the examined research problem exists. A theoretical review is the explanation of the study's variable from a theoretical standpoint (Mugenda & Mugenda, 2019). This study's main anchor theory was the Resource- Dependency Theory and was supported and reinforced by the Capital Structure and the Working Capital Management theories.

Resource- Dependency Theory

The theory of resource dependence was proposed by Pfeffer and Salancik (1978). The theory states that firms have deficiency of resources; they struggle to obtain and retain financial resources which they acquire externally. Pfeffer and Salancik (1978) contribute that resources are catered for by exterior partners who apply certain conditions to the funded organization. These partners have some benefits as a result of their association with the organization and apply their exercise authority by controlling the resources. The more the organizations depend on external funding, the more these organizations are firmly controlled by their financiers. The challenge is for the organization to proactively and effectively manage incompatible and competing demands. Resource dependence theory emphasizes on the importance of the decisions taken by firms in building alliances to overcome dependencies and promote the firm's legitimacy and autonomy (Tachizawa, & Yew Wong, 2014). This theory derives resource mobilizing strategies. The theory conducts a study on how the external resources of firms or environmental issues affects an organizations behavior. It assumes that firms depend on funds, which ultimately come from the environment of the firm (Tachizawa, & Yew Wong, 2014). To an extent that is considerable, this environment has other firms; the resources a given firm needs are at times in the possession of other organizations which makes it legally independent organizations might depend on others to attain such resources. This gives the reason as to why organizations form alliances (Ketchen, 2014). This theory has been scrutinized in several reviews in a number of studies. A study Ketchen, 2014 indicated the importance of resource dependency theory in explaining actions taken by organizations, by forming alliances and interlocks in striving to do away with dependencies and have an improvement on organizational legitimacy and autonomy. This theory concerns more than the external organizations that provide, finance, distribute and compete with the organization. However executive opinions have more weight individually than nonexecutive opinions, at times the nonexecutive are more impacting in an organization. The achievements of managers in the organization is throughout tied to stakeholder demand which makes customers the ultimate resource of dependency to an organization. This theory helps in explaining the reason various organizations depend on each another for different resources on which on their own they may not have (Gillis, Combs, & Ketchen, 2014).

Capital Structure Theory

Capital structure theories provide an overview of how an organization is funded. There are several reasons that the perfect capital structure of a company is difficult to achieve, and the discussion has centered on establishing the optimal capital structure composition in accordance with the Modgllian and Miller theory (Modgllian & miller, 1951). As financing has been a basic concern for several organizations, they assess the most relevant financial framework model. Similar to other organizations, GoEs are confronted with the issue of capital structure composition (Handoo & Sharma, 2014). The Capital structure theory discusses the financial strategy used to determine a company's capital structure; the mix of debt and equity that maximizes business value (Ukhriyawati, Ratnawati & Riyad, 2017).

A company's capital structure is a combination of debt and equity (external sources) that optimizes its stock price. At each given time, the company's management establishes, based on the firm's worth, a goal for the optimum capital structure, even if the objective is subject to change. Capital structure influences the financial viability of a corporation. Mujahid and Akhtar (2014) investigated the effect of capital structure on the financial viability and wealth of shareholders in Pakistan's textile industry. The research focuses on return on assets, return on equity, and profits per share ratios as indicators for evaluating the influence of Capital Structure on a company's financial viability and shareholders' wealth. The research determined that the capital structure influences the firm's financial sustainability and shareholder wealth favorably.

The correlation between a firm's capital structure and its profitability is very crucial, since the firm's profitability may be directly impacted by capital structure choices, hence affecting its long-term viability. Velnampy and Niresh (2012) claimed that the firm's profitability is reliant on its capital structure decisions.

Capital structure, measured as the ratio of total debt to total assets at book value, affects both the profitability and riskiness of a company (Handoo & Sharma, 2014). Companies have struggled with the composition of their capital structure for decades in an attempt to achieve balance and stability, and

the GoEs are no exception. This research uses the capital structure theory to analyze how government organizations organize and source their capital in order to optimize returns, while ensuring that capital expenses do not outweigh the benefits.

Working Capital Management Theory

The Working Capital Management theory underpins the relationship between current assets and current liabilities as advanced by Sagan (1955). It examines the issue that occurs while trying to manage current assets, current obligations, and their interdependence. Working capital management's primary objective is to manage a company's current assets and current liabilities in order to reach and maintain a sufficient level of working capital (Rekha, 2014). Working capital refers to a company's liquidity, efficiency, and total wealth, which includes cash, inventory, and accounts receivable and payable.

According to the theory, if working capital is managed according to prescriptive theory, firms would invest in working capital, finance working capital, monitor working capital-related elements, and manage cash, accounts receivable, inventory, accounts payable, and the cash conversion cycle. To ensure that long-term assets are utilized effectively and efficiently, the performance of one-year loans and other short-term accounts is monitored and assessed (Almazani, 2014). Companies with adequate operating capital should be able to meet all of their short-term expenses and commitments.

Working capital Management has been chosen for this study in order to examine how GoEs are able to balance between their working capital components in order to remain competitive, establish long-term relationships with their creditors, and provide a framework for analyzing the government's strategies to ensure solvency. Assess further how GoEs manage current assets to avoid maintaining a large amount of non-earning assets, which requires resource management prudence. The greater the quantity of working capital, the better the company's liquidity position. When working capital is properly managed, it can guide the investment and financing of current assets, ultimately contributing to the value of the business, the creation of wealth for its shareholders, and the attainment of its specific goals and objectives, thereby enhancing the business's sustainability.

Empirical Literature Review

Working capital management and financial sustainability

Management of working capital is regarded as one of the most crucial aspects of ensuring financial sustainability. It directly affects the liquidity and profitability of the company. It is a model for measuring a company's liquidity. Working capital management is a fundamental tool of analysis because it influences the profitability, liquidity management, and profitability of a business (Muhammad & Ullah, 2011) Management of working capital has been defined as a combination of a variety of factors. Other researchers have argued that it is the management of debt and credit.

It is a key area of attention for financial professionals, whose judgments tend to enhance profitability or limit liquidity, respectively. According to research, profitability does not equate to liquidity in many instances; a corporation might be successful without being necessarily liquid (Owolabi & Obida, 2012). In order to achieve an ideal level of liquidity, it is vital to prevent excess liquidity, which may incur unneeded additional costs for the organization. The organization's inability to satisfy its short-term obligations if liquidity falls below the minimal required. By efficiently managing their working capital, which consists of accounts receivable, inventory, and accounts payables, businesses may drastically boost their profitability.

Hwang (2013) found that accountability influences the performance of organizations when examining the effect of accountability and accountability management in public organizations. The author emphasized the significance of accountability and the careful design of accountability procedures, particularly in social services, in order to improve performance.

Effective management of working capital requires extensive planning and supervision to achieve a balance between current assets and current liabilities. Entities attempt to optimize their working capital management in order to prevent the likelihood of being unable to satisfy short-term commitments and avoid making excessive investments in these assets. Achieving these balances requires competent management of an organization's liquidity, profitability, and leverage. Abuzayed (2012) investigated the effect of working capital management on the performance of Jordanian publicly traded companies. During the period 2000-2008, he gathered information from fifty-two enterprises. He discovered a positive correlation between the Cash Conversion Cycle and a firm's profitability, which explains why businesses with higher profits are less motivated to manage their working capital and why the market does not penalize such firms for inefficient working capital management.

The cash conversion cycle and working capital management have a clear relationship, which states that the period involved in the process of converting cash current assets into cash should be as short as possible in order to achieve the desired liquidity levels; the shorter the period, the stronger the organization's liquidity position. Rehn (2012) examined the relationship between working capital management and company profitability in an industry-by-industry study of Finnish and Swedish public companies, taking into account the industry in which the company operates due to the significant differences in working capital requirements between businesses. According to the research, working capital management has a statistically significant influence on organizational profitability. However, unlike the relationship between the net trade cycle and profitability, the association between the cash conversion cycle and profitability was determined to be negative. The less time it takes to convert non-cash current assets into cash, the better a company's liquidity situation.

The entities must manage their working capital to ensure long-term financial survival. Bagh et al. (2016) studied the impact of working capital management on 50 Karachi Stock Exchange manufacturing firms (KSE). Inventory turnover, cash conversion cycle, average collection time, and average payment period were studied. Nzioki et al. (2013) studied the influence of working capital management on Kenyan manufacturing firms' profitability.

The goal was to correlate AR/AP periods, inventory turnover in days, cash conversion cycle, and gross operating profit. Gross operational profit was positively linked with AR and AP periods, but negatively with cash conversion cycle.

Ramesh, Al-habsi, and Al-sharji (2017) studied the influence of working capital management on the financial performance of manufacturing firms in the Sultanate of Oman. The study looked at data from 19 industrial businesses registered in Oman during a 10-year period. Over a 10-year period, the research found that debtor management, inventory management, creditor management, and the cash conversion cycle all had a detrimental influence on the financial performance of listed manufacturing businesses in the Sultanate of Oman. Ng, Ye, Sang-ong, and Tech (2017) investigated the impact of working capital management on the profitability of Malaysian listed manufacturing enterprises to identify the relationship between working capital management and firm profitability. In order to determine the relationships between the variables of working capital management and the firm's gross operating income, we focused on working capital management from the perspectives of aggressive working capital policy and efficiency of working capital management. We discovered that gross operating income is negatively related to the degree of aggressiveness of investment policies but positively related to the degree of aggressiveness of financing policies.

Polycarp and Tabitha (2016) investigated the effect of working capital management on the profitability of publicly listed Kenyan manufacturing businesses. Over a 10-year period, the research looked at the influence of creditor management, debtor management, inventory management, and cash management on the financial performance of ten Kenyan listed manufacturing enterprises. Creditor management was shown to have a good link with company financial performance, but debtor management, inventory management, and cash management were found to have a negative relationship.

Access to financing to support working capital has been limited, negatively affecting the functioning of organizations. Working capital financing is crucial for the financial viability of a business. In a study of financial and working capital management methods, Padachi, Howorth, and Narasimhan (2012) found a clear preference for utilizing the firm's own funds and short-term borrowing to finance the startup. A company that relied on domestically produced money and short-term borrowings had varying degrees of difficulties meeting its working capital demands.

Wamiori, Namusonge, and Sakwa (2016) investigated the impact of financial access on manufacturing firms' financial performance in Kenya. The research found that manufacturing firms' financial performance was positively influenced by access to capital. Manufacturing companies have limited access to financing, which stifles their development and expansion, hurting working capital. This demonstrates the critical requirement for working capital finance in order to rearrange activities in order to achieve the organization's strategic goals and maintain long-term sustainability.

Financial risk management and financial sustainability

Due to its impact on the long-term financial sustainability of an entity, financial risk management has attracted significant attention in recent years and become a central focus for all organizations. The reason for this is that financial risks can have a significant impact on the fundamental capabilities of businesses and their business operations. Researchers view financial risk management as a metric for measuring the failure or success of an Entity. Establish the entity's financial sustainability in order to maximize shareholder wealth and obtain considerable company value that can be converted and utilized for expansion or new product development that will accelerate the entity's growth (Ugirase, 2013).

Imhanzenobe (2020) investigated which areas of financial management should be emphasized to ensure the financial sustainability of organizations in Nigeria, focusing on 17 firms from 2008 to 2016 and used a correlational matrix and random effect model. The study found that financial practices have a substantial impact on the short-term profitability and productivity of the company. The research was based solely on qualitative data, although it advises the future implementation of quantitative metrics of financial sustainability. This research combines quantitative and qualitative information.

Financial risk management and financial sustainability have been the subject of discussion and controversy. Extensive research on this topic has yielded contradicting findings; while some scholars have found a positive relationship between risk management and financial sustainability, others have found a negative relationship, and still others have suggested that other factors besides financial risk management impact financial sustainability. Ogilo (2012), Nyamsogoro (2010), McShane, Nair, and Rustambekov (2011), and Ugirese (2013) found a link between financial risk management and financial sustainability.

According to Ogilo (2012), credit risk management should be at the heart of an organization's actions in order to maintain financial sustainability and customer expansion. In comparison to other types of risks, the amount and level of loss generated by credit risk is so severe that it can lead to a significant level of loan losses and even bank failure. Nyamsogoro (2010) studied the financial sustainability of rural Tanzanian microfinance institutions. The research revealed that Portfolio at risk (PAR) influences the financial viability of MFIs. The portfolio at risk assesses the collection efficiency of an MFI. The greater the PAR, the lower the payback rates and, thus, the less financial sustainability.

Pagach and Warr (2010) examined the impact of enterprise Financial Risk Management implementation on several business elements such as risk, financial, asset, and market characteristics. They viewed leverage, cash availability, and profitability to be financial characteristics, whereas asset characteristics assess how the firm's assets are likely to be damaged in the event of financial hardship. The study discovered no significant association between the variables and concluded that ERM deployment had no effect on both non-financial and financial business performance.

Liu, Prajogo, and Oke (2016) demonstrated in their study that proper accounts receivable risk assessment practice promotes the growth of SMEs, and they recommended that SMEs owners continue the practice of credit risk assessment practice, in addition to other credit risk assessment practices, to ensure consistent growth. McShane et al. (2011) analyzed if Enterprise Resource Management increases the value of banks. In this study, correlation is used to estimate business value. The results indicate that ERM has a substantial positive correlation with business value, hence impacting financial

sustainability. Ugirase (2013) determined that, with the exception of risk monitoring, the financial sustainability and sustainability of commercial banks in Rwanda were impacted by credit risk identification, credit risk analysis and evaluation, and credit scoring method.

Isaac, Namusonge, and Fredrick (2017) evaluated the impact of mortgage lending on commercial bank financial performance in Trans Nzoia County. The study establishes that diversifying interest rates among banking sectors' portfolios hedges the banks against business risks in the operation of business, as the government intervenes through the Central Bank of Kenya policy to cap the interest rates charged by commercial banks to their clients, thus improving the chances of its performance and continued operations. Operating costs, taxes, valuation costs, risks, insurance costs, architectural costs, and mortgage interest rates all have a significant influence on the financial sustainability of commercial banks.

Olweny, Namusonge, and Onyango (2013) explored the extent to which financial factors influence individual investor risk tolerance at the Nairobi Securities Exchange (NSE) Kenya. Individual monthly wages income and property ownership were the two key financial factors assessed. The survey included 500 NSE CDS account holders. They discovered that individual monthly earnings income had an effect on investor risk tolerance. Risk tolerance rose with profits up to extremely high levels, therefore fund managers, investment advisers, and individual investors should evaluate the significance of financial qualities in financial decision making.

Financial resource utilization and financial sustainability

Utilization of financial resources raises the question of how this resource might be employed effectively for value generation and sustainability. Banker, Mashruwala, and Tripathy (2014) stated that examining the patterns of organizations' allocation and consumption of resources may show disparities in their future capacity for sustainability. Noting that organizations gain greater financial sustainability when the resources that drive the process of value creation in their current operations are employed efficiently to produce value in the future.

Organizations use and employ financial resource utilization strategies to optimize the use of available money and guarantee the optimal use of all resources in order to increase profitability, consequently allowing improved customer service levels, lowering lead times, and optimizing inventories. Several studies have examined Financial Resource Utilization as a determinant of financial sustainability and concluded that it is influenced by poor financial performance, which is frequently associated with a number of factors, such as a lack of connections between policy formulation, planning, and budgeting.

According to research, financial management is crucial for the effective use of financial resources. It also facilitates the use of essential decision-making strategies like as capital budgeting, opportunity cost analysis, and the consideration of safety, liquidity, and profitability principles. Shilpa and Rakesh (2013) explored the need for efficient use of funds and found that financial management involves the critical management of funds, which necessitates optimizing financial resources to meet inescapable risk cover and expenditures. The major role of the finance manager is the efficient use of money, for which he must choose an investment pattern.

Calabrese (2013), in the research Running on Empty, stated that operational reserves enable non-profit organizations to smooth out imbalances between income and costs, hence assisting in maintaining program output in the event of fiscal shocks. The data revealed that operational reserves are diminished in the presence of concentrated public finances, access to debt, fixed assets, and endowment and a substantial percentage of non-profits retain no operating reserves all. Chikoto (2014) focused on establishing non-profit financial capacity by examining revenue choice and mix, investigating if revenue concentration is a realistic income-generating strategy that may aid in strengthening a non-financial profit's capacity. The study found that revenue concentration helps to the growth of nonprofit organizations.

Shuqair and Abdel-Aziz (2015) analyzed Jordan's efficient and strategic resource allocation for sustainable development. The objective of the research was to examine the viability of development efforts in the nation. In his analysis, he identifies skewed attention away from the core project or activity as one of the most significant issues of resource allocation. Frequently, available resources are redirected to unanticipated events, resulting in a resource allocation that is not sustainable. In order to achieve fair resource allocation, the results of the study suggested that the public or relevant stakeholders must be included in resource allocation. In addition, the author emphasized the significance of resource distribution based on prioritization rather than hierarchy.

The budget allocation, budget control, and budget information symmetry are crucial to the effective utilization of financial resources. They allow activities and resources to be utilized in accordance with budget line allocations. A more detailed budgeting strategy led to better sales revenues, and setting budget targets enhanced staff incentive to meet budget requirements. A more structured budgetary control tends to result in a higher profit growth for a company due to improved management control. Gakuru and Mungania (2016) analyzed the budgetary allocation and management success of the public sector in Kenya. The purpose of the study was to determine the impact of budgetary allocation on the effectiveness of public sector management in government agencies. The findings demonstrated that budgetary allocations were insufficient for government agencies, which prevented them from utilizing their budget strategies successfully.

Kpedor (2012) analyzed the budgeting, budgetary management, and performance assessment system of Allterrain Services Group in Ghana to determine the impact of the budget in the company's performance and long-term sustainability. They determined that the majority of important actors do not work with the budget owing to a lack of appropriate orientation and role profile for the office they inhabited, which negatively impacts resource utilization. They said that regional business managers should promote the flow of budget information, spreading it downwards to project units, so that they may respect and comprehend budget as a tool for the operation to improve efficiency and overall performance.

Financial investments and financial sustainability

Financial investments entail entities engaging in actions that will improve their income resource base. This is critical for profitability and becomes the subject of discussion. It is a technique used to generate future revenue for an organization, which usually results in the acquisition of an asset. If an asset is available at a reasonable price, it is usually expected to either provide income or increase in value, allowing it to be sold at a greater price in the future (Adelino & Robinson, 2017).

A differentiation approach guided by behavioral aspects leads to less risky and steadier revenues. Managers who invest the resources may be able to achieve higher performance, laying the groundwork for long-term financial viability. Managers must also carefully assess if the benefits of investing exceed the added risk that may affect the firm's many stakeholders. Empirical research has shown that there is a relationship between investment and financial sustainability. Investments have an impact on financial sustainability either directly via their impact on cash flows or indirectly through the creation or leveraging of marketing assets (Karvonen, 2010). Investments in market-related sub-goals, such as marketing assets creation. Capital investment in R&D and innovation increases customer loyalty, resulting in an influx of money that promotes long-term financial sustainability. In Spain, Pereira and Roca-Sagales (2010) investigated the effect of governmental investment on private sector performance. The study looked at aggregated and disaggregated sector levels and discovered that, on a broad scale, public investment crowds out private capital accumulation and supports private sector activity. It was discovered that disaggregated levels of public investment encouraged capital accumulation, influencing financial sustainability.

According to Adams, Thornton, and Sepehri (2012), sustainable businesses actively seek out chances to engage in sustainability by producing and promoting diversified products and services and preparing for investments. According to a 2010 McKinsey survey, more than half of the CEOs questioned indicated that sustainable investing improves their company's capacity to establish its corporate reputation. Capital investment in R&D innovation, with an emphasis on disruptive technologies and management information systems, increases consumer loyalty and improves long-term financial sustainability. Engaging in sustainable investment contributed significantly to long-term shareholder value since these proactive firms are far more likely to not just seek, but actually uncover shareholder value creation possibilities in sustainability.

Sacristán (2016) investigated how changes in the revenue diversification and financial investments of non-profit organizations influence fundraising. Using random effect regression and the Arellano Bond model to examine 10358 not-for-profits, the study found that revenue diversification negatively affects fundraising. Some donors may believe that the not-for-profits have enough money and therefore don't need more donations. The study recommended consideration of how other sources of revenue such as invest income and government funding influence fundraising. The authors appreciated the gap in the literature in that the daisy model did not account for the impact of revenue diversification on fundraising.

Foreign investment in agricultural sector products has the potential to provide financial sustainability benefits to the host country by assisting GoEs and private firms in overcoming resource scarcity such as capital, promoting entrepreneurship, enabling access to foreign markets, promoting efficient managerial techniques, technological transfer and innovation, and job creation. According to Adams et al. (2012), sustainable businesses actively seek chances to engage in sustainability through producing and promoting various products and services, as well as preparing future investments. Ogalo (2011) investigated the trends and concerns surrounding foreign investment in agriculture in Eastern Africa. According to the report, private investment funds targeting African agriculture are an exciting recent phenomenon, although real investments are still relatively limited. Given the constraints of alternative sources of investment finance, he believes that foreign direct investment in developing nation agriculture might make a substantial contribution to the agricultural sector's financial sustainability.

Said, Alam, Abdullah, and Zulkarnain (2017) investigated the current level of value generation among Malaysian government-linked firms. He realized that, overall, federally owned firms puts a greater focus on specific parts of value creation than state-owned companies, with the state-owned companies emphasizing quality development and brand value creation, whilst federally held organizations stress reputation. They stressed brand value the most in the service sector, while customer happiness and quality development were most important in the manufacturing sector. It was suggested that Malaysian government-linked enterprises increase their total value creation by focusing on responsiveness, average return on investment, sales growth, profit growth, and average return on sales.

Conceptual Framework

Dickson et al., 2018) defines conceptual framework as a structure that the researcher believes will best describe the natural course of the topic under investigation. The theoretical review, empirical research, and other significant concepts can be linked to the conceptual framework to enhance and systemise the researcher's knowledge (Peshkin, 1993). It explains how the statement of the problem will be explored. The conceptual framework depicts an integrated approach to an issue under investigation (Liehr and Smith, 1999). Based on the literature review discussed above, the relationship between the variables can be depicted by the diagram below to guide the research.

Figure 1 : Conceptual Framework

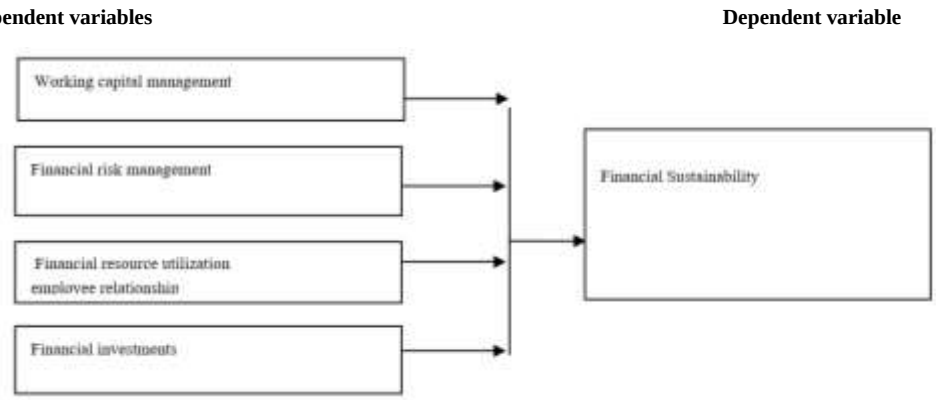

Table 1: Operationalization of Variable

Variable	Indicator	Measurements
Working capital management	• Liquidity Management • Using Technology for cost efficiency • Financing Working Capital • inventory turnover	Likert type questions
Financial risk management	• Financial Risk Identification • Lack of political influence • Liberty to define task. • Financial Risk hedging	Likert type questions
Financial resource utilization	• Expenditure and Revenue Utilization • Budget level management • Maximum Utilization of Organization facilities • Creating awareness among staff on revenue diversification	Likert type questions
Financial investments	• Resource allocation • Income generation diversification. • Types of investments • Investment policies	Likert type questions

RESEARCH METHODOLOGY

Research Design

The research design is the pathway that the researcher intends to follow in doing the investigation. This study used a descriptive and correlation research approach. Descriptive research seeks to acquire data that reflects contemporary occurrences via interviews with individuals about their implementations, attitudes, behavior, or values (Forzano, 2019). It also enables the researcher to answer the questions who, what, when, where, and how (Mark S, 2016). Using a descriptive and correlation methodology, the researcher was able to analyze the relationship between the independent and dependent variables.

The research used a quantitative approach, allowing for an examination of the relationship between variables that are objectively assessed and analyzed using a range of statistical and graphical tools (Mark S, 2016).

Target Population

A population is the total collection of elements about which a researcher wishes to make some inferences about (Grooves & Couper, 2015). They are important since they will have access to the data that the study's goal is to collect. The target population was drawn from the management, finance department and the general staff of KEBS.

Table 2 : Target Population

Population Category	Target	Percent (%)
Management	20	17
Finance department	40	33
General staff	60	50
Total	**120**	**100**

Sample and sampling technique

A sampling frame is a collection of source items from which the sample is drawn (Kombo & Tromp, 2015). The definition also includes the goal of sample frames, which is to offer a method for selecting which individuals of the target population was questioned in the survey (Orodho, 2014). Because the population from which the sample was selected is varied, this study used stratified random sampling. To construct the final sample, the population was divided into subpopulations or strata, and sample items were chosen from each stratum. Each stratum's sample items were chosen at random (Kothari, 2014). A 50% of total population is representative.

Table 3: Sample and Sample Technique

Population Category	Target population (N)	Sample population (n)	Percentage (%)
Management	20	10	17
Finance Department	40	20	33
General Staff	60	30	50
Total	**120**	**60**	**100**

Data Collection Instruments

Questionnaires were used to gather data, which would be completed by respondents. It was more efficient since it took less time to react to information, it allowed respondents to stay anonymous in their replies, and it was simple to run (Mugenda and Mugenda, 2013). The researcher designed Likert scale questions that were brief and to the point and make sure the meaning was not vague. The researcher was assisted by the head of the departments to dispatch the questionnaires to the staff under them.

Data Collection Procedure

This study employed primary data. Self-administered questionnaires containing both structured and unstructured questions were mostly used to obtain primary data. Questionnaires were picked because, according to Cooper and Schindler (2011), they are efficient data collecting tools that let respondents to express a substantial amount of their thoughts on the study topic. Using a drop-and-pick procedure, respondents self-administered the questions. Three research assistants were recruited prior to the start of the questionnaire to help the researcher in administering the questionnaire.

Data Analysis and Presentation

Data analysis is the technique of organizing and structuring raw data such that meaningful information may be derived from it (Barbie & Mouton, 2015). Before the actual data analysis, the main data from the questionnaires was edited, coded (to decrease quantity), classified (into homogenous groups), and tabulated for completeness, correctness, uniformity, and consistency (logical order). In data analysis, descriptive statistics such as mean and frequency was utilized. Statistical Package for Social Science was used to edit, code, and analyze data gathered from the questionnaire (SPSS). To examine the impact of independent factors on the dependent variable, the research employed both Pearson's correlation and multiple regression analysis. The regression model is as follows:

$$\mathbf{Y = \beta o + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon}$$

Where

Y: Financial Sustainability,

βo =constant term.

β1, β2, β3, β4 = Beta coefficients,

X1= Working capital management

X2= Financial risk management

X3= Financial resource utilization

X4= Financial investments

Ethical Considerations

Ethics is a field of philosophy that deals with one's behaviour and acts as a guide for one's actions (Mackinnon, 2011). The study ensured that appropriate ethical guidelines are adhered to throughout the conduct of the research.

Informed Consent

Informed Consent implies a willing decision to participate in a study. Consent required notifying the participant of their rights, the purpose of the study, the procedures to be carried out, and the risks and advantages of participating in the study (Silverman 2002). An authorization to conduct the study was sought from the relevant authorities in order to guarantee that the research complies with the ethical issues pertaining to scientific research. As evidence of the purpose of the study, a letter of introduction was obtained from the university.

Voluntary Participation

Voluntary participation refers to the human study subject's exercise of free will in deciding whether or not to engage in a research activity (Trochim, 2006). This signifies that research was conducted with the subject's informed consent. Participants were informed of the objective of the study so they may make an informed decision regarding their participation.

Confidentiality and Privacy

Confidentiality refers to the condition in which a researcher is aware of the needs of a study objective, but takes precautions to prevent the exposure of his or her identity to others. This gives the respondent the confidence to provide accurate answers (Ethicist, P., 2015). Due to the sensitive nature of certain information, researchers may only use it with the approval of the respondents and the organization. The researcher desires permission to collect information from both Management University of Africa and KEBS. The researcher safeguarded the participants' confidentiality. A cover note was accompanied the questionnaires to reassure responders that the information they contribute will only be used for academic reasons. The management received a copy of the final report, since the study's findings will greatly enhance their performance.

Anonymity

Anonymity refers to protecting confidentiality by not identifying respondents' ethnic or cultural origins, not calling them by name, and not releasing any other sensitive information about a participant (Mugenda, 2009). To protect anonymity, all respondents will be coded and will not be required to provide their real names on surveys. This will aid in the protection of their identity. This will aid in safeguarding their identity.

RESEARCH FINDINGS AND DISCUSSION

Working capital management

Timely & efficient receivable collection method and increased financial sustainability

The researcher wished to know whether or not the institution had a timely and efficient technique of collecting receivables for smooth financial operations, and the findings are shown in the table below.

Table 2 : Timely & efficient receivable collection method and increased financial sustainability

Category	Frequency	Percentage
Yes	51	89
No	6	11
Total	**57**	**100**

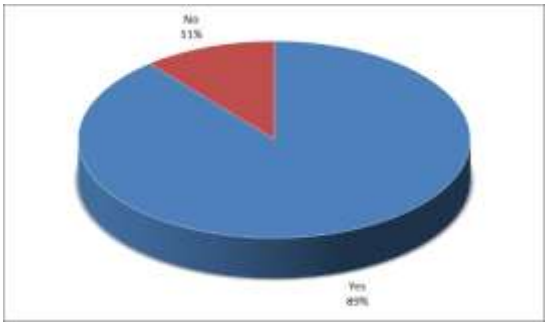

Figure 2 : Timely & efficient receivable collection method and increased financial sustainability

According to 89% of total responses, the Institution has a timely and effective system of collecting receivables for smooth financial operation, whereas the remaining 11% disagree. This demonstrates the critical importance of a prompt and effective receivable collection mechanism.

4.1.3.2 Ability to effectively balance current assets and current liabilities on proper management of working capital

This was to assess the organization's ability to successfully balance current assets against current liabilities in order to satisfy its short-term commitments. The results are displayed in the table below;

Table 5: Ability to effectively balance current assets and current liabilities on proper management of working capital

Category	Frequency	Percentage
Great extent	28	49
Moderate extent	12	21
Less extent	10	18
No impact	7	12
Total	**57**	**100**

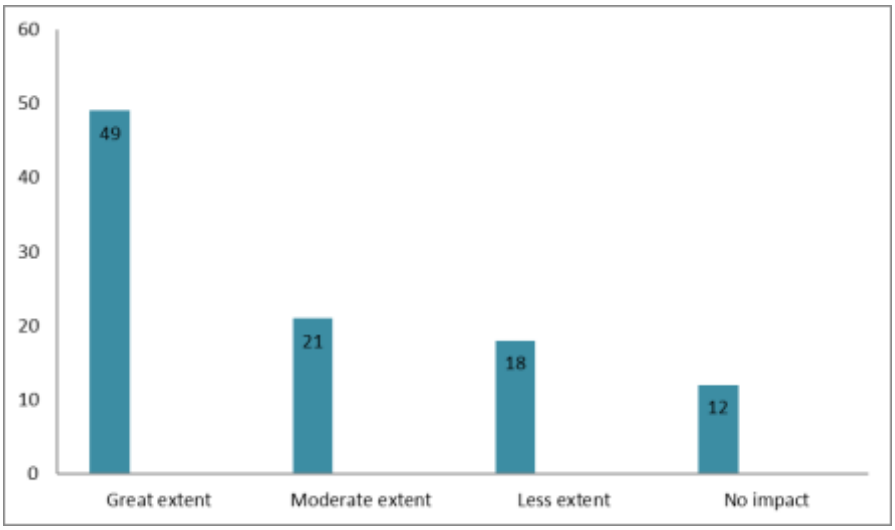

Figure 3: Ability to effectively balance current assets and current liabilities on proper management of working capital

According to 49%, the company is able to properly balance current assets against current liabilities in order to satisfy its short-term commitments to a large degree, 21% to a moderate level, 18% to a lesser extent, and 12% to have no influence. The management of current assets against current liabilities is very important in enhancing better working capital management.

Financial risk management

Hedging against loss and improved financial management

The research intended to assess whether or not hedging against loss to protect cash flow value from changes in financial pricing, such as interest rates, is prevalent in the firm. The results are listed in the table below.

Table 6: Hedging against loss and improved financial management

Category	Frequency	Percentage
Yes	32	56
somehow	15	26
No	8	14
Don’t know	2	4
Total	**57**	**100**

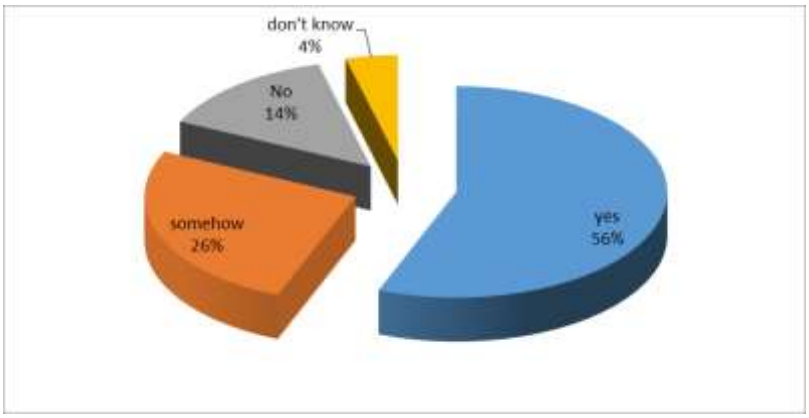

Figure 4: Hedging against loss and improved financial management

The study established that hedging against loss to protect cash flows value from movements in financial prices e.g. interest rates is dominant in the organization according to 56%, somehow at 26%, no at 14% and don't know at 4%. The study findings indicated that hedging against loss leads to proper financial risk management thus increased financial sustainability.

Contingent financing provision and reduced unexpected loss

The extent at which Contingent financing provision to covers unexpected losses helps in effectively improving financial risk management was sought and the data was presented on the table as shown;

Table 7: Contingent financing provision and reduced unexpected loss

Category	Frequency	Percentage
Great extent	29	51
Moderate extent	18	32
Less extent	7	12
No impact	3	5
Total	**57**	**100**

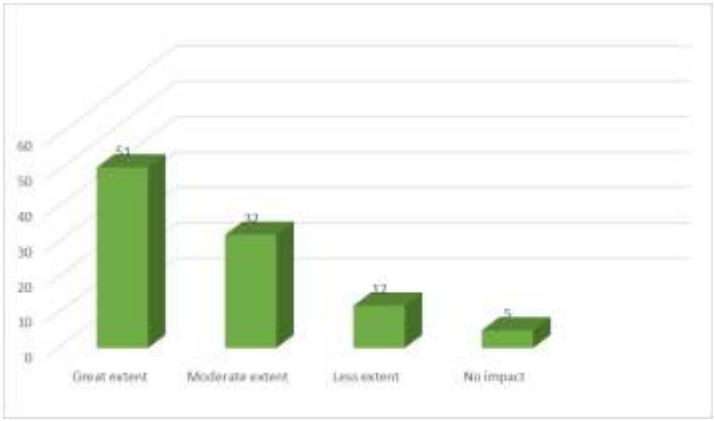

Figure 2 : Contingent financing provision and reduced unexpected loss

The results indicated that contingent financing provision to covers unexpected losses helps in effectively improving financial risk management to a great extent according to 51%, moderate extent at 32%, less extent at 12% and no impact at 5%. The study findings revealed that contingent financing helps in catering for unforeseen risks in the future.

Financial resource utilization

Investment of fixed asset on improvement of resource management

There was need to establish if the institution invests in fixed assets to raise resources or not and the findings were presented on the table shown;

Table 8 : Investment of fixed asset on improvement of resource management

Category	Frequency	Percentage
Yes	50	88
No	7	12
Total	**57**	**100**

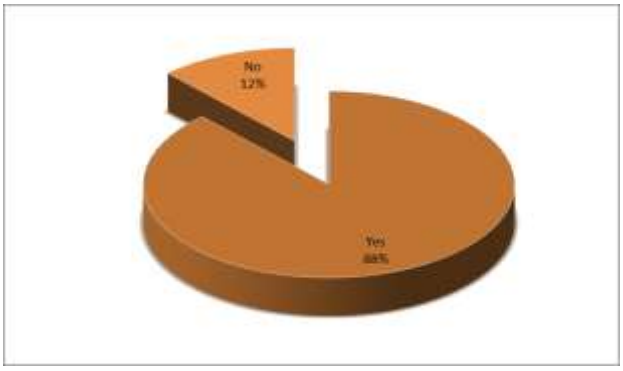

Figure 6 : Investment of fixed asset on improvement of resource management

It was noted from the findings that 88% agreed that the institution invests in fixed assets to raise resources while 12% did not agree. The investment of fixed assets increased the organization liquidity of meeting short-term obligations.

Institution is linked with the ministry to assists in finance management

This was to explore whether the institution link with the ministry to assist in matching expenditure and revenue or not and the findings were tabulated on the table as shown;

Table 3 : Institution is linked with the ministry to assists in finance management

Category	Frequency	Percentage
Strongly agree	29	51
Agree	16	28
Disagree	9	16
Strongly disagree	3	5
Total	**57**	**100**

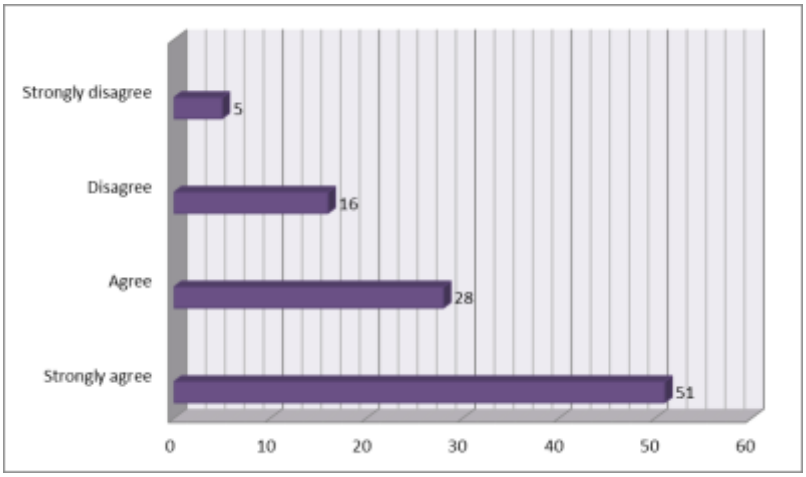

Figure 3 : Institution is linked with the ministry to assists in finance management

The results established 79% agreed that the institution link with the ministry to assist in matching expenditure and revenue while 21% disagreed with it. This shows that the ministry plays an important role in ensuring proper financial management in the organization.

Financial investments

Investment policies and cash flows increase

This was to determine whether the investments policies in the institutions enables accelerate cash inflows or not and the findings were presented on the table as shown;

Table 4 : Investment policies and cash flows increase

Category	Frequency	Percentage
Yes	33	58
Sometimes	12	21
No	7	12
Don't know	5	9
Total	**57**	**100**

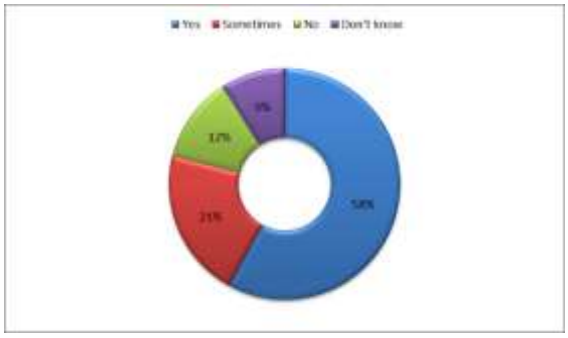

Figure 8 : Investment policies and cash flows increase

The results postulated that 58% agreed that the investments policies in the institutions enables accelerate cash inflows to a large extent, 21% for sometimes, 12% for no and 9% did not know. From the findings it is clear that investment policies within the organization have a huge impact on the cash flows within the organization.

Institution policies and diversified investment options

The researcher tried to determine the degree to which the Institution's policy allows for diverse financial investments with high returns on investment, and the data was given in the table below;

Table 5 : Institution policies and diversified investment options

Category	Frequency	Percentage
Great extent	28	49
Moderate extent	16	28
Less extent	9	16
No impact	4	7
Total	**57**	**100**

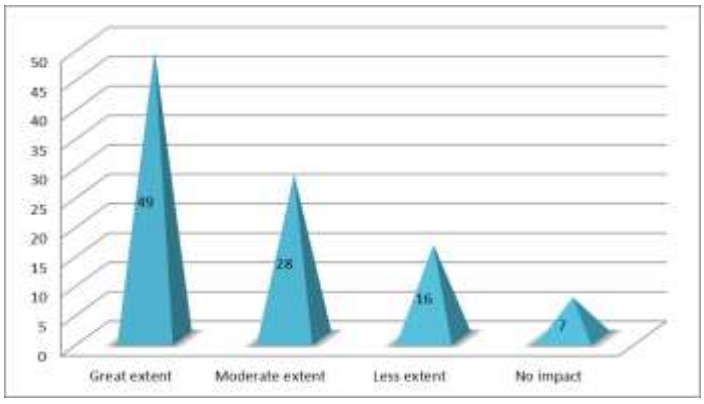

Figure 4 : Institution policies and diversified investment options

The study noted that the Institution policy allows diversified financial investments with high return on investment according to 49%, moderate extent at 28%, less extent at 16% and no impact at 7%. The management needs to devise institution policies that favours the different financial investments option within the organization for improved financial sustainability.

Inferential statistics

Regression analysis was used to determine the statistical significance of the independent factors on the dependent variable (organizational performance). The findings are shown in Table 11.

Table 6 : Regression Model Fitness

Indicator	**Coefficient**
R	0.959
R Square	0.92
Adjusted R Square	0.917
Std. Error of the Estimate	0.16163

Table 11 illustrates the amount of variation explained by the variance in the collection of independent variables included in the research in determinants of financial sustainability of government-owned companies in Kenya (i.e. Working capital management, Financial risk management, Financial resource utilization and Financial investments). The R square of 0.92 suggests that differences in working capital management, financial risk management, financial resource usage, and financial investments account for 92% of the variability in financial sustainability of government-owned enterprises in Kenya. According to the model summary table below, the adjusted R2 was 0.917, indicating that the combined effect of predictor variables (working capital management, financial risk management, financial resource utilization, and financial investments) explains 91.7% of variations in financial sustainability of Kenyan government-owned entities. The correlation value of 95.9% suggests that the combined influence of the predictor variables has a substantial and positive relationship with the financial sustainability of Kenyan government-owned companies. This also suggested that a shift in the financial sustainability drivers of Kenyan government-owned firms (working capital management, financial risk management, financial resource usage, and financial investments) had a significant and beneficial impact on financial sustainability.

Table 7 : Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.508	1.131		1.333	0.001
Working capital management	0.481	0.228	0.203	2.110	0.000
Financial risk management	0.347	0.127	0.217	2.732	0.001
Financial resource utilization	0.416	0.115	0.316	3.617	0.003
Financial investments	0.267	0.103	0.125	2.592	0.001

From the data in the above table the established regression equation was

Y = 1.508 + 0.481X1 + 0.347 X2 + 0.416 X3 + 0.267 X4

From the above regression equation it was revealed that Working capital management, Financial risk management, Financial resource utilization and Financial investments to a constant zero, the determinants of financial sustainability of government owned entities in Kenya would be at 1.508, a unit increase in Working capital management would lead to an increase in financial sustainability of government owned entities in Kenya by a factors of 0.481, a unit increase on Financial risk management would lead to increase in financial sustainability of government owned entities in Kenya by factors of 0.347, a unit increase in Financial resource utilization would lead to increase in financial sustainability of government owned entities in Kenya by a factor of 0.416, and a unit increase in Financial investments would lead to an increase in financial sustainability of government owned entities in Kenya by a factors of 0.267 and . All the variables were significant as their significant value was less than ($p<0.05$).

Limitations of the study

Several limitations were encountered by the researcher while doing the study. The major limitation was the scarcity of literature on comparable work in Kenya, with the majority of references originating from the Western world.

Because of time and financial constraints, the scope of this study was limited to allow for flexibility and affordability, and the researcher was unable to conduct in-depth analysis for additional organizations. This was resolved by developing a better strategy financial and time for conducting the research.

Respondents delayed in responding to the provided questionnaires within the time frame specified. However, the researcher called and visited the respondents on a frequent basis to encourage them to complete the questionnaires as soon as possible.

Summary of findings

Background Information

According to the findings, 95% of those questioned reacted favorably, while 5% did not. The fact that the majority of responders participated indicates that the research was a success. Mugenda and Mugenda (2019) suggested that a response rate of more than 70% is ideal when conducting a research and this has exceeded this at 95%. The male responder had a percentage of 56%, while the female respondent had a percentage of 44%. According to the data, there were more male respondents than female respondents. These results suggested that the organization satisfied the standards of the 2010 constitution, which says that no gender shall constitute more than two-thirds of the organization. The age bracket analysis revealed that 21-30 years represented 16%, 31-40 years represented 37%, 41-50 years represented 33%, and beyond 51 years represented 14%. This demonstrates that the results were applicable across all age groups, resulting in relevant and credible data for the research. According to the study's results, people with K.C.S.E credentials were at 4%, certificate at 12%, diploma at 25%, degree at 47%, and post-graduate at 12%. This demonstrates that the participants in the study were literate enough to understand and grasp the research questions posed by the study. According to the data, those who had worked there for 0-2 years made up 16%, those who had worked there for 2-5 years made up 33%, and those who had worked there for more than 5 years made up 51%. This indicates that the respondents had been with their company and departments for a longer amount of time, and hence were likely informed about financial sustainability and its drivers.

To what extent does working capital management affect financial sustainability at KEBS?

According to 89% of total responses, the Institution has a timely and effective system of collecting receivables for smooth financial operation, whereas the remaining 11% disagree. This demonstrates the critical importance of a prompt and effective receivable collection mechanism. To a considerable degree, according to 49%, the organization is able to properly balance current assets against current liabilities in order to satisfy its short-term commitments, to a moderate extent, according to 21%, to a lesser extent, according to 18%, and to have no influence, according to 12%. The management of current assets against current liabilities is very important in enhancing better working capital management. The Pearson correlation results showed a positive relationship as R-Value = 0.749 and P-Value = 0.000. This implies that working capital management and financial sustainability are positively correlated and are highly statistically significant since the P-value is less than 0.05. This presents that working capital management has a direct relationship with financial sustainability. According to regression analysis, the adjusted R square value was 0.521 which implies 52.1% of the variation in financial management was caused by working capital management through timely & efficient method of receivable for smooth operation.

How does financial risk management impact financial sustainability at KEBS?

The research showed that hedging against loss protects the value of cash flows from changes in financial prices e.g. interest rates is dominant in the organization according to 56%, somehow at 26%, no at 14% and don't know at 4%. The study findings indicated that hedging against loss leads to proper financial risk management thus increased financial sustainability. The results indicated that Contingent financing provision to covers unexpected losses helps in effectively improving financial risk management to a great extent according to 51%, moderate extent at 32%, less extent at 12% and no impact at 5%. The study findings revealed that contingent financing helps in catering for unforeseen risks in the future. The Pearson correlation results indicated a positive relationship as R-Value = 0.770 and P-Value = 0.001. This implies that financial risk management and financial sustainability are positively correlated and highly statistically significant since the P-value is less than 0.05. This shows that, proper financial risk management has a direct relationship with financial sustainability. Regression analysis showed that the R square value was 0.560, which implies that only 56% of the variation in financial risk management was due to hedging against loss.

To what extent does financial resource utilization affect financial sustainability at KEBS?

It was noted from the findings that 88% agreed that the institution invests in fixed assets to raise resources while 12% did not agree. The investment of fixed assets increased the organization liquidity of meeting short-term obligations. The results established 79% agreed that the institution link with the ministry to assist in matching expenditure and revenue while 21% disagreed with it. This shows that the ministry plays an important role in ensuring proper financial management in the organization. The Pearson correlation results showed a positive relationship as R-Value = 0.920 and P-Value = 0.003. This implies that financial resource utilization has a positive correlation with financial sustainability and is statistically significant, since the P value is less than 0.05. This shows that financial resource utilization have a direct relationship with financial sustainability. From the regression analysis, the adjusted R square value is 0.880, which implies that 88% of the variation in financial resource utilization is caused by institution investing in fixed assets to raise resources.

How does financial investment influence financial sustainability at KEBS?

The results postulated that 58% agreed that the investments policies in the institutions enables accelerate cash inflows to a large extent, 21% for sometimes, 12% for no and 9% did not know. From the findings it is clear that investment policies within the organization have a huge impact on the cash flows within the organization. The study noted that the Institution policy allows diversified financial investments with high return on investment

according to 49%, moderate extent at 28%, less extent at 16% and no impact at 7%. The management needs to devise an institution policy that favours the different financial investments option within the organization for improved financial sustainability. The Pearson correlation results showed a positive relationship as ($r=0.748$, $p<0.001$). This implies that financial investment has a positive correlation with financial sustainability and is statistically significant, since the P value is less than 0.05. This shows that financial resource utilization have a direct relationship with financial sustainability. From the regression analysis, the adjusted R square value is 0.49, which implies that 49% of the variation in financial investment is caused by Institution policy allowing diversified financial investments with high return on investment.

Conclusions

On working capital management, the study concluded that the Institution has a timely and efficient method of collecting receivables for smooth financial operations. It also concluded that the organization is able to effectively balance current assets against current liabilities in order to meet its short-term obligations to a large extent.

On financial risk management, the finding was that hedging against loss to protect cash flow value from variations in financial pricing, such as interest rates, is dominant in the company. The research also indicated that using contingency financing to cover unexpected losses may significantly improve financial risk management.

The report stated that the organization invests in fixed assets to increase resources. In addition, the conclusion was that the institution should collaborate with the government to aid in aligning spending and earnings.

On financial investment, the research indicated that institutional investment rules allow for significant acceleration of capital inflows. The research also indicated that the Institution policy allows for diverse financial investments with a good return on investment.

Recommendations

There is a need for innovative financial assessment models that incorporate major goals of GoEs rather than the traditional financial evaluation models that focus on profit and loss, which has jeopardized GoE achievement. This will allow them to analyze their production and how they have been able to attain and contribute to the development of social value.

The study suggests that GoEs manage their risks by adopting a financial risk assessment methodology, which will allow them to handle any expected risks as they emerge. Quality management systems must also be implemented.

The study suggests that the management of these GoEs be educated on the importance of investment as a fundamental objective for GoEs. There is a need for an investment policy to be formed, as well as a ministry to support GoEs in new innovation and investment diversification. Encourage the funding of projects and technology that reduce environmental degradation. This will benefit GoEs, particularly those involved in agriculture, which rely on the environment for their products and raw materials.

GoEs should incorporate stock-level assessment and determination procedures such as economic order quantities to maintain reorder levels and avoid overstocking and holding cash; alternatively, certain assets might be converted to liquidity for immediate use or investment. A policy for the disposal of idol assets should be developed to ensure that assets that have outlived their useful life are removed and disposed. This will free up funds that the organizations or investors may utilize to make a significant profit.

Suggestions for Further Studies

The study used a mixed research approach to give an empirical evaluation on the determinants of financial sustainability of government-owned entities in Kenya. Further study is needed to examine other designs, as this may not be suitable to some GoEs in other ministries due to their dynamics. The research discussed in detail working capital management, financial risk management, financial resource utilization and financial investment overall influence on financial sustainability. Further research needs to be conducted with the same variable in other sectors and worldwide to gather satisfying conclusion.

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