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EFFECT OF TIMELY REPORTING ON FINANCIAL PERFORMANCE OF NANDI COUNTY GOVERNMENT, KENYA

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Abstract: **Even after the implementation of the Integrated Financial Management Information System, corruption, unpaid projects, and money misappropriation have drawn attention to Nandi County in Kenya, which has a negative impact on service delivery. This is despite the County Governments in Kenya being established as a way to ensure that services, including finance, reach the citizen. These factors are a blatant sign of poor financial performance in the county government, raising the question of how IFMIS may help the Nandi County Government with timely reporting. The study sought to investigate the effect of timely reporting on financial performance of Nandi County government, Kenya. A case study research design was used in the study. 119 employees from the county assembly, management, and other IFMIS parties made up the target population. An initial sample of 92 respondents was chosen using the stratified sampling technique. Data collection involved the use of structured questionnaires. Utilizing both descriptive and inferential statistics, the data collected was examined. Inferential statistics employed regression analysis, while descriptive statistics used mean and standard deviation. There was statistically significant effects of timely reporting on the financial performance of the County Government of Nandi, Kenya. The study concluded that the utility of information made available to diverse consumers is seen to be significantly influenced by the timeliness of audited corporate annual financial reports, Accurate financial reporting fosters trust, which encourages investors to spend their hard-earned money in the company. The study recommended that The County has to make its financial reporting more timely and should allot the necessary time for financial reporting.**

Keywords: **Timely Reporting, Financial Performance.**

1. INTRODUCTION

Kenya used devolution as a way to provide public services to its citizens. Despite the resources being distributed among Kenya's 47 counties, there are issues with distribution and financial management of the government-provided resources. According to Hendrick (2012), the goal of the construction of an integrated financial management information system was to improve governance, transparency, accountability, and monitoring of public funds.

Kragbe (2012) notes that poor and frequently ineffective governance systems continue to plague countries all over the world, comprising insufficient provision of fundamental public services, poor resource allocation, inefficient tax systems, and rent and inefficiencies. The Western world is convinced that an information society will be good for the economy and society (Audenhove, 2000). Citing the Organization for Economic Cooperation and Development, the author asserts that information infrastructure will support economic growth, increase productivity, create jobs, and improve quality of life. Governments have long been concerned about the poor performance of financial management, which is brought on by a lack of timely and accurate information for decision-making. Flaws in the administration of financial information were revealed by an examination of accounting systems, financial management, and the role of auditing conducted by the Department of Accountant General at Treasury (KPMG / Accountants General report; June 1997). Consider how improving the timely distribution of financial information can serve as the foundation for improving all aspects of financial success.

The majority of African nations, including the public sector, have information systems in place. To ensure the delivery of engaging aid, this current project will likely focus on the effectiveness and viability of the cost-benefit analysis and execution revealing (National Treasury 2009). The foundation of a successful Public Finance Management Agency (PFM) is made up of reliable systems, robust legislative provisions and regulations, and government activities that are efficient and effective. Effective open assistance delivery, the creation of abundance and employment opportunities, and ensuring that management and its specialties develop, oversee, and use public resources in a fruitful and straightforward manner for their own benefit have all been linked to changes in public finance management.

In order to increase transparency, maintain control, and guarantee sound financial management of the government, IFMIS was adopted in Kenya. According to Otieno, Migiro, and Mutambara (2017), IFMIS helps organizations make better decisions, allocate resources more efficiently, receive timely financial information, and accelerate growth. However, the ethical conduct, culture, environment, organizational, and technical factors in the external environment have an impact on IFMIS. According to Kragbe (2012), having strong financial management and reporting systems can improve governance in the public sector and also increase transparency, accountability, and financial responsibility.

Government employees and elected leaders have increasingly acknowledged the requirement that government organizations use ICT to improve business procedures in the public sector, according to Ngugi and Mugo (2012). By using computers connected to computer networks and electronic transaction processing, the improved business operations can be accomplished (Bernstein and Newcomer, 2009). Electronically processed transactions are reliable, fast, and cost-effective (Wimmer et al., 2010). A service provider, for instance, might utilize the financial and accounting modules, but might not use the inventory management and shipping modules. Alternatively, organizations might not employ these modules since they already have a suitable system in place for handling particular activities, including managing the public debt and wages. ERPs are actually substantial archives created to facilitate the recording and reporting of every company activity.

Many government ministries, departments, and agencies have implemented the IFMIS, a computerized application system that automates the essential steps and tasks involved in budget execution and accounting (Cangiano, 2019). By implementing an integrated system for the management of the financial aspects of line ministries, expenditure agencies, and other public sector activities, Mbaka and Namada (2019) define IFMIS as "the computerization of public financial management processes, from budget formulation and implementation to accounting and reporting." As a result, IFMIS adoption and utilization benefit the general public and the government by giving all finance and accounting managers who need it access to real-time financial data.

One of the major aspects affecting financial reporting is the timeliness of financial accounts, according to Turel (2016). Regardless of whether one chooses to refer to timeliness as an accounting objective or a characteristic of useful accounting information, it is clear that both the disclosure regulations and a sizable portion of the accounting literature accept the premise that timeliness is a necessary condition to be satisfied if financial statements are to be useful. For the capital market to function, financial reports must be submitted on time. According to Dogan, Coskun, and Celik (2017), users of financial data should have easy access to the information they require to make plans or decisions. For those who use financial information, the timing of the information is at least as important as the content.

Financial performance, according to Ewa and Udoayang (2012), is a typical proportion of an organization's generally speaking financial presentation during a specific time period that may be used to compare organizations in the same industry or when multiple industries or sectors are combined. The ability of a business to make money off the assets in its main trading system is measured by its financial performance. It is also an accurate reflection of an organization's total financial health over a certain period of time, and it is frequently used to compare organizations engaged in similar projects or industries. The ability to preserve good credit, boost service delivery opportunities, pay employees, retailers, and debtors on time, and supply quality services are all made possible by financial stability, according to Anderson (2011). Public value or system efficiency are both increased by an efficient financial system (Khan and Bhatti, 2008). This has made financial performance a major concern for researchers, organization leaders, government authorities, and the general public.

STATEMENT OF THE PROBLEM

To address issues with manual financial management, the Integrated Financial Management and Information System was developed. In order to prevent the misuse and diversion of public monies, IFMIS was introduced. All financial data will be processed online by the system, which will also provide feedback. The processed data is also available for use in making additional financial decisions. It should no longer take so long to wait for financial data before making decisions. Ironically, the Kenya Revenue Authority (KRA) celebrated exceeding its first-quarter tax collection target at the same time the Auditor

General published a report outlining a significant waste of public funds. Despite the advancements made with IFMIS, fraud and financial misappropriation remain issues. In addition to wasting Sh303 billion, the report claims that the government only able to cover 6% of the overall Sh920 billion expenditure. This financial report shows how people who are responsible for guarding public monies as stewards mistreat them (MOF Auditor General Report October 2013).

There are many millions of transactions that cannot be traced even now, after the implementation of IFMIS. Revenue targets cannot be accomplished and expenditures cannot be supported without reports for identical transactions that can be precisely assessed, immediately delivered for better decision making, and easily accessible for reference purposes. The County was able to secure Ksh.6.03 billion from the planned revenue, or 69.2 percent of operations. With a revenue decline of 21.2% from the prior fiscal year, this performance represents a significant shortfall (October 2020 Regional Budget Review and Outlook Paper (CBROP)).

2. LITERATURE REVIEW

Theoretical Literature Review

Stewardship theory was postulated by Donaldson and Davis (1989). A steward is accountable for safeguarding and maximizing the wealth of shareholders by enhancing corporate performance. Therefore, the top management must maximize organizational goals using proper management principles. Similar safety measures involving inspiring senior leaders were suggested by Donaldson (2003). Management theory implies that directors may have 'organizational' incentives, in contrast to agency conjecture regarding trustees' motivations for self-interest and self-reliance. Their personal affiliation with the organization's goals and objectives rather than the official's accompanying desire is what drives them to work here. The theory backs the implementation of IFMIS as managerial assistance to improve County performance. However, IFMIS appears to be a management tool that offers constructive help rather than a tool for monitoring and eradicating mismanagement, as perceived by agency theory.

Agyris, C. (1973) argues that management theory disproves the notion that shareholders' interests conflict with higher ones because both parties, she emphasizes, are motivated by a desire to improve the long-term management of the company. According to this management idea, it could be detrimental for the CEO and administrator to have different responsibilities. The obvious risk is that the company's leadership could be weakened or distorted by investors' unfavorable projections. Fundamental criticism of one-sided agency theory and a greatly condensed human model may be found in management theory. A variety of contrasting viewpoints on the conduct of people or organizations that carry out particular functions might be used to test criticism. Managers are driven by collective or societal aims rather than (mainly) for their own benefit, which is the first contrary assumption from management theory. Numerous works on public service strongly concur with this viewpoint. Management does not always imply that an agent's motivations are limited to social objectives. Theoretically, however, it is emphasized that all managers enjoy community engagement, which may or may not be carried out by principals. The majority of genuine performers won't typically develop behaviorally similar tendencies due to distrustful and controlling principles (Davis, et al, 1997).

The goal of IFMIS is to guarantee timely reporting, accuracy, ease of referencing, and improved decision-making, all of which are indicators of good stewardship. In the sense that by accomplishing the necessary goals, the stewards would have the opportunity to enhance the performance of the organization. According to this interpretation of the stewards' notion, the stewards are managers who use IFMIS to maximize the organization's interests and improve the performance of the company.

Empirical Literature Review

The financial performance of Savings and Credit Cooperative Societies was the focus of Mbuti's (2017) study on the effect of internal audit reporting quality. Murang'a County, Kenya: A Case Study Descriptive research methodology was employed for the investigation. A total of 76 replies were sought after, comprising management personnel from 161 international humanitarian NGOs in Nairobi. 76 respondents were included in the sample. While secondary data was gathered using a data collection sheet, Questionnaires that were self-administered were used to collect primary data. Multiple regression analysis was used to look at how the independent and dependent variables related to one another. The study's findings show that the objectivity of SACCO financial reporting, the thoroughness of internal audit reports, and the timeliness of internal audit reporting all have a substantial impact on SACCO financial performance.

An empirical study on timely financial reporting and financial voluntary disclosure was done by Khan and Abd Rahim in 2016 to examine how well businesses function. Correlational research methodology was applied in the study. 120 management employees from various departments made up the study's target group, and 70 employees were chosen as the sample size through stratified random sampling. Secondary and primary data were both utilised. While secondary data was gathered utilizing data schedules, primary data was gathered using structured questionnaires. The results demonstrate a significant correlation between timely financial reporting and firm performance. The study also discovered that earlier annual report release could boost business success.

The profitability and timeliness of financial reporting of Nigerian listed companies were examined in the study by Aigienohuwa and Uniamikogbo (2021). All 145 of Nigeria's publicly traded companies make up the population. Data were obtained by performing a content analysis on a select Nigerian companies' annual reports and accounts that were listed between 2010 and 2019. The e-view 9.0 application was used to estimate the connection between the variables using the panel data regression method. The study's findings show a significant correlation between profitability and the timeliness of financial disclosures in publicly traded Nigerian companies.

3. RESEARCH METHODOLOGY

A case study research design was used in the study. 119 employees from the county assembly, management, and other IFMIS parties made up the target population. An initial sample of 92 respondents was chosen using the stratified sampling technique. Data collection involved the use of structured questionnaires. Utilizing both descriptive and inferential statistics, the data collected was examined. Inferential statistics employed regression analysis, while descriptive statistics used mean and standard deviation.

4. FINDINGS

Table 1: Timely Reporting

Statement	**Mean**	**Standard Deviation**
The system uses periodic management, financial account generation, and period closure operations	4.08	0.92
Encourage financial account adjustments and abide by relevant legal requirements	4.05	0.95
Cost tracking is done to free up time for information production and dissemination.	4.30	0.70
The county has effectively used IFMIS to manage its financial activities.	4.12	0.88
The time needed to prepare financial statements has decreased as a result of the use of IFMIS.	3.21	1.79
The county's financial performance has improved as a result of on-time financial report submission.	4.55	0.45

The respondents concurred with the statement that the timely submission of financial reports had improved the county's financial performance (M=4.55, SD=0.45). This is consistent with research done in Murang'a County, Kenya, by Mbuti (2017), which examined the effect of internal audit reporting quality on the financial performance of Savings and Credit Cooperative Societies. The results of the study demonstrated that the financial performance of SACCOs was significantly impacted by the completeness, timeliness, and objectivity of internal audit reporting.

The respondents concurred with the statements that tracking spending takes time since it involves creating and disseminating information (M=4.30, SD=0.70), the county has successfully implemented IFMIS to handle its financial activities (M=4.12, SD=0.88), The system uses periodic management and financial account generation operations as well as period closing procedures (M=4.08, SD=0.92) and that support financial account adjustments, abide by the relevant legal requirements (M=4.05, SD=0.95). This is in line with the research by Martinez-Ferrero (2018), which looked at how the caliber of financial reporting affected business performance: Financial reporting quality (FRQ) is demonstrated to have an advantage over financial performance at the global level.

The respondents indicated that use of IFMIS had moderately lowered the time required for financial statement production (M=3.21, SD=1.79). The results are in opposition to the study by Aigienohuwa and Uniamikogbo (2021) examined the profitability and promptness of financial reporting in Nigerian quoted enterprises and discovered a strong correlation between those two variables.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	0.621	0.602	0.631

The model summary's findings, which are shown in Table 2, show that the performance outcomes had an adjusted R-squared of 0.602 with the financial performance measure as the dependent variable, indicating that prompt reporting was responsible for 0.602(60.2%) of the county government of Nandi, Kenyafinancial ,'s performance. This suggests that the other factors account for the remaining 39.8% of the variance.

Table 3: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.623	1	54.623	142.247	.000[b]
	Residual	33.400	87	.384		
	Total	88.022	88			

Table 3 demonstrates that the significant value is at 0.000b, which is less than 0.05. The ANOVA value in Table 3 is Fcal (1, 89) = 142.247, p 0.05, consequently, as it exceeded Ftab (1, 89) = 54.623, p 0.05, suggests that the regression model was statistically significant..

Table 4: Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.617	.212		2.910	.000
	Timely reporting	.941	.247	.271	3.809	.000

According to the findings in Table 4, the County Government of Nandi, Kenya, would have a financial performance value of 0.617 (61.7%) if timely reporting were to remain constant. The results also suggested that improving timely reporting by a unit would boost financial performance by 0.941 units. Consequently, the regression equation's expression was as follows:

Financial performance = 0.617 + 0.941 timely reporting

Table 4's findings further demonstrate that when timely reporting was regressed against financial success, it had a coefficient of t=3.809, P-value=0.0000.05. These results suggested that timely reporting had statistically significant effects on the financial performance of the County Government of Nandi, Kenya.

5. CONCLUSIONS

The study concluded that the availability of information to different consumers is thought to be significantly influenced by the timeliness of audited corporate annual financial reports. Because of this, accounting data must be made public soon after the end of the reported period in order to avoid losing some of its economic value. The level of uncertainty around investment decisions increases when financial statements are released with unnecessary delay. The content and relevance of the information are diminished as the delay increases.

6. RECOMMENDATIONS

The study recommended that The County needs to make its financial reports more timely. The County should take steps to reduce the time between the end of the fiscal year and the Annual General Meeting in order to increase users' confidence in using financial accounts for decision-making. The County needs to balance the relative benefits of timely reporting against the accuracy of the data in the financial accounts.

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