ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 10, Issue 4, pp: (435-440), Month: October - December 2022, Available at: www.researchpublish.com

INFLUENCE OF FINANCIAL INFORMATION REPORTING ON PERFORMANCE OF KENYATTA NATIONAL HOSPITAL IN KENYA

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DOI: https://doi.org/10.5281/zenodo.7336497

Published Date: 18-November-2022

Abstract: **The growing number of serious scandals and other anomalies affecting businesses, hospitals, and educational institutions is a direct result of the fact that interior controls are sometimes nonexistent or completely ineffective in these institutions. The Moi Teaching and Referral Hospital is the second-largest unrestricted referral hospital in the nation, after Kenyatta National Hospital. Being a public hospital, it receives enormous resources in the form of medical tools, pharmaceutical supplies, hospital infrastructure, and money, among other things. Being a public institution, this hospital has long been plagued by concerns about the potential exploitation of its resources, including the possibility of financial theft. Therefore, this study sought to investigate the influence of financial information reporting on performance of Kenyatta National Hospital in Kenya. A descriptive research design was employed. The unit of analysis was Kenyatta National Hospital. The respondents were 80 employees who were obtained from the finance/Accounting Department, HRM Personnel/ Department, ICT department and other staff. A census of 80 employees was done since the size of the sample population is small. Data collection was done using questionnaires. 8 questionnaires were piloted with respondents from the Kenyatta National Hospital and were not involved in the final research. Content validity was applied in this study to test the validity of the questionnaire. Determination of reliability was done using a test-retest technique. Descriptive statistics using mean and standard deviation were used in describing data in quantitative nature. The inferential analysis was applied in determining the level of association between variables by using correlation analysis and regressions analysis. The study found that that financial information reporting had a significant influence on financial performance of Kenyatta National Hospital in Kenya. The study arrived into a conclusion that the hospital had laid down proper measures in accessing data electronically, the records are properly maintained and data properly updated. The study recommended that the hospital should transparently consolidate information on financial reporting tools while providing guidance on the options best suited to different user roles and needs.**

Keywords: **Financial Reporting Information, Internal Audit Control Practice, Financial Performance.**

1. INTRODUCTION

According to the Institute of Finance (IIF), the global monetary system predominated until the 2008 financial crisis, which had a significant impact on the region and reduced its benefits and stability (IIF, 2014). Due to this catastrophe, many countries were forced to tighten their regulatory regimes, especially with regard to hazard management in terms of ID and moderation. Additionally, this region is affected by a variety of natural causes, both internal and external; however, the external forces can be divided into political, social, technological, and financial components (Shelter & Eckardt, 2017).

However, Due to factors like inflexible administrative structures, which need a higher center of gravity for financial institutions, the financial industry has experienced significant growth in developing nations (Lonial & Carter, 2015)

The monetary performance of public institutions is moderately poor at less than 4% and has been declining as a result of the rise in population, evolving sell like Mexico, Nigeria, India, and many emerging African nations (Trotman & Duncan, 2018). Unrestricted institutions have also had an uneven financial execution trend in fast-growing countries, such industrialized nations. According to researchers like Mbetwa (2017), there have been some complaints about the management of public assets and the government's inability to identify and prevent the exploitation of public depositories in African businesses. However, despite the implementation of rules governing internal review procedures, there are still an increasing number of examples of deficiencies in open assets the board and several specific instances of forgeries and degenerate practices in the majority of these organizations (Badara, Azu & Saidin, 2014). Africa is quickly adopting this practice, led by South Africa, which has had a "spectacular" outpouring of financial insufficiencies. Kenya and other countries are following suit, and the strategy is expedited by the South African control apparatus's global aspirations.

The majority of Kenyan businesses have weak internal controls and are reluctant to devote enough attention to implementing lengthy and difficult control measures (Kamau, 2014). As a result, professionals frequently struggle to take into account the assessed level of intrinsic and control risks when implementing the necessary functional measures to reduce those risks to a manageable level. According to the assessment produced by ICPAK (2011), a number of specialists collectively lack the information technology skills necessary to assess the risk of highly computerized enterprises. When consuming money, businesses have focused on accessibility, availability, and cost effectiveness. In Kenya, little consideration has been given to the extensive roles interior control systems play in the establishment of public hospitals (ICPAK, 2017). Due to the existing gap in the financial performance of public hospitals in Kenya, this proposal aims to investigate the effects of adopting audit internal control practices, such as compliance with accounting standards, financial information reporting and regulations, and hospital oversight audit board, and their unique effects on Kenyatta National Hospital's financial performance.

The efficiency and effectiveness with which a company fulfils its goals entirely, accurately, and efficiently is what determines how well it performs. It describes the degree to which a feat is made or has been made, to put it another way (Dess & Robinson, 2015). According to Sishore and Yuchtman (2017), there are five key categories that can be used to categorize the suggested indicators for financial analysis, which measure a firm's success. Efficiency, profitability, solvency, and liquidity in the financial sector. As a result, an organization's performance is evaluated by how well it can respond to challenges and opportunities while fully understanding its own strengths and limitations.

Every firm strives to work more effectively and deliver superior results. According to Davis and Pett (2017), an organization's effectiveness is determined by its capacity to develop a distinctive way of identifying its opportunities through the development of strong relationships. When this happens, the organization is better able to interact with the environment it is exposed to, which promotes sustainable growth. Wruck (2019) asserts that organizational managers should focus on the alignment and participation of their stakeholders, structures, core competencies, and culture when implementing their plan for proper organizational effectiveness.

Internal control is a set of predetermined procedures for ensuring that an organization's objectives are met in a professional, financially sound, and authoritative manner. It also refers to the appropriate observance of rules that uphold the reputation of the company. The administrators, the board of directors, and other relevant staff implement all of these (Bednarek, 2018). When the administration adopts some exact measures, a structure for operational internal control arises. Internal control is defined by International Accounting Standards (IAS) as a company's business strategy, responsibility separation, report control, resource protection, number juggling and bookkeeping controls, competence of staff, supervision, recording and record keeping, approval and endorsements, and existence.

Financial reporting is a method of recording and disseminating financial activities and results within a predetermined schedule, usually on a quarterly or annual basis (Jara, Ebrero & Zapata, 2017). Businesses use financial reports to arrange accounting data and provide information on their present financial status, according to Revsine, Soffer, Johnson, Mittelstaedt, Collins, and Johnson (2019). Numerous financial data are available to the public, and these are crucial for forecasting future profitability, market position, and expansion. Financial reporting is essential in supporting stakeholders, business partners, department heads, and finance in making these decisions because a business' operations, growth, and future profitability all depend on its overall financial health and stability.

STATEMENT OF THE PROBLEM

The growing number of reported crimes and other flaws that are upsetting public-owned businesses, hospitals, and educational institutions draws attention to the fact that internal controls in many of these institutions are either flimsy or nonexistent. The primary source of shortage has been identified as the ineffective execution of internal controls or the absence of inventive internal control frameworks, despite the administrative stretches and public and private affiliations. Essentially, the theft of money is on the list (The Kenya Health Policy, 2018).

Being a public hospital, Kenyatta National Hospital has access to a wealth of resources, including medication supply, medical equipment, money, hospital facilities, and many more. Since it is a public institution, the uncertainty of poor exploitation of these resources, which ultimately translates to misappropriation of funds, has faced this hospital for a number of years (Statement of Financial Position, 2018). A review of the hospital's internal controls revealed that, despite being the only referral hospital and major healthcare facility in Kenya, this institution lacked a unique administration manual (Abdul-Aziz & David, 2015). The Kenyatta National Hospital's financial performance over the previous years has not been consistent, which is attributable to political interference, financial mismanagement, inadequate internal control implementation, and prudential auditing principles (KNH Repository, 2019). Financial information gathered from the hospital's website since the year 2000 shows a decrease of 9.5% and a marginally smaller annual increase of 2.5% (Kenyatta National Hospital, 2019).

The increase in competitiveness over the past few years has significantly changed the operational and functioning activities at KNH. In comparison to the revenues received, the process cost has significantly decreased. Due to the availability of options for patients covered by NHIF, the obsolete bases of income for KNH have decreased during the past few years. Patients who couldn't afford treatment were discharged from the hospital, which had a severe financial impact on the facility (Kenyatta National 2018/2019 Annual Release, 2019). The hospital reported a loss of Ksh 905 million, a 33% increase over the Ksh 679 million deficit from the previous year (KNH Statement of Financial Performance, 2017). The NHIF's hostile reimbursements, the lack of payment for free maternity care, and the imminent irreparable debt for services rendered to underprivileged and needy patients' medical bills are the key causes of the bad performance (Office of Auditor General's Report, 2018).

2. LITERATURE REVIEW

Theoretical Literature Review

The reliability theory developed by Gavrilov and Gavrilova (2001) essentially describes the probability that a system will carry out its predicable goal over a period of time. According to the dependability hypothesis, an inside control device comprises correlated segments and needs to be defined in terms of success controls. For instance, whether a module is powerful and feasible affects how well a portion functions. The likelihood of a module being installed in the relevant nation is used to illustrate a module's unwavering quality. The dependability of the overall internal control framework can be summed up as a two-stage plan with two likely probable benchmarks, achievement, and downsides.

Professional bookkeeping fiction has created an image of the dependability displaying of internal control structures. Reasons for this include the lack of a suitable model for application, a lack of expertise in the field of bookkeeping, computational complexity, and the argument that bookkeeping should be done using quantitative methods. The need to reconsider the reliability quality methodology's future has arisen due to the increased power and accommodation of PCs, the demand for bookkeeping, and the need for extra interdisciplinary approaches to deal with the assessment and planning of such frameworks.

The reliability theory, which re-counts the internal control mechanism in a corporation, is used in this study. This study is based on the reliability theory, which lists organization management in financial information reporting and adherence to accounting measures as one of its principal operators. As the interaction and framework unwavering quality examinations advance, they may appear differently in comparison to data from the association's verifiable exhibitions or different associations may provide a more substantial establishment for managing the impact of control exercises on the association's pay and thus provide for more aware delivery of the administration time and effort.

Empirical Literature Review

The impact of financial reporting on organizational performance in Nigeria was examined in a study by Gandolph (2022). Ten Nigerian manufacturing companies provided the data. An expo facto method was used. Questionnaires were used in collecting data. Additional information was gathered from books and articles that were relevant to the research project from the Central Bank of Nigeria's annual statistical bulletin. For the analysis of panel data, the study used inferential statistics. Results showed that selected Nigerian manufacturing companies' organizational performance is significantly impacted by financial reporting.

The reporting practices of SACCOS in Kenya's Uasin Gishu County were examined by Limo in a 2018 study. The study used convenience and purposive sampling techniques, 150 employees in the study population, 30 respondents in the sample, and descriptive and cross-sectional research designs. The gathered information was displayed in tables and examined using percentages. The percentage of financial reporting practices and the organization's financial performance were examined using a multivariate regression model. The findings on the financial reporting practices were that there are poor financial reporting practices that exhibit poor financial reporting.

3. RESEARCH METHODOLOGY

A descriptive research design was employed. The unit of analysis was Kenyatta National Hospital. The respondents were 80 employees who were obtained from the finance/Accounting Department, HRM Personnel/ Department, ICT department and other staff. A census of 80 employees was done since the size of the sample population is small. Data collection was done using questionnaires. 8 questionnaires were piloted with respondents from the Kenyatta National Hospital and were not involved in the final research. Content validity was applied in this study to test the validity of the questionnaire. Determination of reliability was done using a test-retest technique. Descriptive statistics using mean and standard deviation were used in describing data in quantitative nature. The inferential analysis was applied in determining the level of association between variables by using correlation analysis and regressions analysis.

4. FINDINGS

The descriptive statistics results of financial information reporting are presented in Table 1.

Table 1: Financial Information Reporting

	M	SD
Internal audit department periodically evaluates controls set up over medical clinic resources and makes required and applicable suggestions on powerless regions.	3.42	1.58
Detailed properly records are upheld for all critical resources possessed by the clinic.	4.03	0.97
There are established measures for changing electronic information kept up with by the medical clinic.	3.21	1.79
There are set up measures for contributing electronic information kept up with by the clinic.	3.64	1.36
There are set up measures for accessing electronic data maintained by the hospital.	4.07	0.93
There are set up measures for guaranteeing that awards and commitments got are appropriately recorded.	4.44	0.56

The respondents were in agreement, as shown by Table 4.4 results that there are set up measures for guaranteeing that awards and commitments got are appropriately recorded (M=4.44, SD=0.56), there are set up measures for accessing electronic data maintained by the hospital (M=4.07, SD=0.93), detailed properly records are upheld for all critical resources possessed by the clinic (M=4.03, SD=0.97) and that there are set up measures for contributing electronic information kept up with by the clinic (M=3.64, SD=1.36). This shows that the hospital has laid down proper measures in accessing data electronically, the records are properly maintained and data properly updated. The results agree with study by Gandolph (2022) study that examined the influence of financial reporting on organization performance in Nigeria and The findings showed that certain Nigerian manufacturing companies' organizational performance is significantly impacted by financial reporting.

The respondents indicated to a moderate extent that internal audit department periodically evaluates controls set up over medical clinic resources and makes required and applicable suggestions on powerless regions (M=3.42, SD=1.58) and that there are established measures for changing electronic information kept up with by the medical clinic (M=3.21, SD=1.79). This implies that the hospital lacks periodic review of controls meant for medical clinic and it is difficult to make changes on the data electronically fed. The result agrees with Limo (2018) study that examined how financial reporting practices affected SACCOS's financial performance in Kenya's Uasin Gishu County and the findings on the financial reporting practices were that there are poor financial reporting practices that exhibit poor financial reporting

5. RESULTS OF INFERENTIAL STATISTICS

Correlation analysis

Table 2: Correlation Analysis

		Resource allocation	Project implementation
Financial information reporting	Pearson Correlation Sig. (2-tailed) N	1 76	
Project implementation performance	Pearson Correlation Sig. (2-tailed) N	.716* .000 76	1 76

The results in Table 2 show that the financial information reporting and performance were found to have a correlation coefficient of 0.716, which indicates a significant positive linear relationship between the two variables.

Results of Regression Analysis

Table 3: Model Summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.874[a]	.709	.701	.319

The results as given in Table 3, demonstrates that a coefficient of correlation, shown by value of R, was 0.874, demonstrating a strong relationship between the financial information reporting and performance. The R square value was at 0.709(70.9%) indicating that the model accounts for all variation in response data around its mean. The adjusted R^2 was 0.701. An implication that 70.1% of all differences in the performance of Kenyatta National Hospital can be described by financial information reporting, with the remaining 29.9% described by additional factors not accounted for in the model.

Table 4: Analysis of Variance

Model		Sum of squares	df	Mean square	F.	Sig.
1	Regression	228.895	1	228.895	333.666	.000
	Residual	50.736	74	0.686		
	Total	279.631	75			

Table 4 demonstrates that the significance value is 0.000, which is less than 0.05. The results further indicate that the value of F was at 333.666 which was more than the value of mean square at 228.895. This suggested that the model had a significant impact on determining Kenyatta National Hospital's performance.

Table 5: Coefficient

		Unstandardised coefficients		Unstandardised coefficients		
		B	Sd.Err	Beta	t	Sig.
Model	(Constant)	.642	.49		13.10	.001
1	Financial information reporting	.768	.005	.007	15.36	.001

Table 4.11 findings demonstrate that when financial information reporting is put to constant, the performance would be 0.642. In addition, it has been found that if financial information reporting is increased by a single unit would lead to an increase in performance at a factor of 0.768. This results to the following regression equation.

Performance = 0.642 + 0.768 financial information reporting

The study further established that the financial information reporting had a positive and significant influence on performance of Kenyatta National Hospital in Kenya as indicated by t-value of 15.36 with a significance value less than 0.05 at 0.001.

6. CONCLUSIONS

The study concluded that the hospital has laid down proper measures in accessing data electronically, the records are properly maintained and data properly updated. The study also concluded that the hospital lacks periodic review of controls meant for medical clinic and it is difficult to make changes on the data electronically fed. The financial information reporting helps the hospital in real-time tracking of the accounts, which aids in liquidity management and it is created to give the hospital the oversight of its financial dealings and helps in forecasting future requirements.

7. RECOMMENDATIONS

The study recommended that the hospital should transparently consolidate information on financial reporting tools while providing guidance on the options best suited to different user roles and needs. The hospital should also responsibly address department reporting needs, including the need for financial report training. Carry out an accurate and timely financial reporting. The hospital needs to focus heavily on its profit and loss, cash flow, and balance sheet. This will ensure that the hospital understands its financial position, sales expenses and how changes within the hospital have affected its liquid assets.

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