Financial Reporting Systems And Financial Performance Of Public Universities In Western Region, Kenya

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ABSTRACT: Financial reporting systems are a subset of accounting information systems that are vital in managing entities; they put internal control mechanisms in place and enhance decision-making that improves efficiency and financial performance. Despite public universities increasing spending on financial reporting systems, challenges are still experienced concerning internal controls and decisions concerning payables and receivables. There is, therefore, a risk of misuse and wastage of public funds where for instance, funds amounting to over 60 billion shillings have been embezzled, misappropriated, and even invested in futile ventures. Several studies linking FRS and financial performance have been conducted though none focused on universities hence the lack of information on how they influence universities’ performance. The purpose of this study therefore, was to establish the influence of financial reporting systems on the financial performance of selected public universities in Western region, Kenya. The technology acceptance model, diffusion of innovation theory, and balanced scorecard theories guided the research. The study targeted 215 respondents from 10 selected public universities in Western region, Kenya, where simple random sampling was used to obtain a sample of 138 respondents. A correlational research design was adopted, and data was collected using questionnaires and analysis of audited financial statements. Data were analyzed via descriptive and inferential statistics. Multiple regression analysis results showed that financial reporting systems had a significant negative influence on financial performance (net surplus/deficit) with coefficients of -0.214. The study concluded that the improvement of financial reporting systems would improve financial performance by reducing the net deficit of public universities in Western region, Kenya. The study therefore, recommends that the management of public universities should enhance their systems to incorporate international financial reporting standards in the preparation of reports, enable automatic tracking of debtors and creditors to improve their liquidity position, and solidify their internal controls to diminish the probability of financial loss.

Keywords: Financial reporting systems, Financial performance, Western region,

1.1 Background of the Study

Financial performance alludes to how entities meet all their operational and economic goals in a given period, i.e., the short term or long term. It is used to gauge an entity's general financial health within a specified period and to compare the financial performance of similar companies. Financial performance, in a wide sense, relates to attaching a monetary value to existent policies and the operation of an entity [16]. Evaluating financial performance is a vital element of financial risk management, and therefore every firm must ensure that they put strategies in place to enable them to pay their long-term and short-term obligations as and within the required time frame. Failure to expose the firm to the risk of financial distress and possible shutdown. Financial reporting systems are a set of related components that gather data and transform it into financial information that is utilized by entities for decision-making purposes. The systems are built to take note of all the economic events and transactions of a business and account for them in accordance with the set legal accounting regulations like Generally Accepted Accounting Principles and International Financial Reporting Standards. The systems avail economic and financial data to enhance decisions, present financial proposals, and formulate budgets [2]. It is the objective of public universities to make prudent financial decisions that improve their overall financial health and avoid landing in the red zone of not being able to pay their financial obligations when needed. Hence, in the wake of continued technological development, there is a need to put in place financial reporting systems so as to install internal control mechanisms that enable efficient decision-making in terms of payables, receivables, assets management, and payroll management. Through a number of studies, financial reporting systems have proved to influence the financial performance of various sectors. For instance, [5] found that FRS significantly influenced the performance of SMEs in Kwara Estate in Nigeria. They, however, recommended that the degree of computerization should improve together with the existing technological advancement. When introduced in an Enterprise Resource Planning environment in Tunisian firms, financial reporting systems offered a better way of managing all the financial aspects of the firms in the required manner, hence saving on wastage of available resources. Universities in Kenya have found themselves in hard financial times due to ineffective decision-making, management, and internal control systems. The majority of them are essentially bankrupt, with most failing to pay
staff salaries on time, non-remittance of health & statutory pension obligations, and inadequate provision of student amenities [19]. Nairobi University, Jaramogi Oginga Odinga University of Science and Technology, Kisii University, University of Kabianga, and Jomo Kenyatta University of Agriculture and Technology are among the universities that are facing a financial crisis that is threatening their survival, and mass layoffs being the way to go to ease the burden. The financial distress prompted the universities' vice-chancellors to draft a request directed to the national treasury for supplemental funding to enable them to pull out of the financial crisis and get a buffer. All of which can be attributed to inefficient decision-making processes and a lack of control mechanisms for effective financial management. Data indicates that public universities have embezzled and mismanaged public funds amounting to 60 billion, with other funds invested in futile ventures [9]. The relevance of putting in place financial reporting systems in universities is unquestionable since the management of the institutions needs necessary information, they can use in decision-making for value creation. Putting in place efficient systems, structures, process curricula, and financial systems will ensure that public universities in Kenya eliminate domestic misuse and gain maximum usage of resources which will amass savings that will counterbalance the shortage until they strike a balance and break even [6].

1.2 Statement of the Problem
Public universities in Kenya face several challenges, financial exigencies being the most severe. The situation has been aggravated by shortfalls in approved allocations and poor governance due to ineffective management and control systems [21]. In an effort to be on the frontline in financial decisions, public universities continue to increase spending on putting in place financial reporting systems so as to improve decision-making processes and establish efficient internal controls. This is all with a view to improving their overall financial health. Despite all the investment efforts, the systems seem not to be quite efficient since public universities are still experiencing challenges with respect to payables and receivables. There is, therefore, a risk of misuse and wastage of public funds where for instance, funds amounting to over 60 billion shillings have been embezzled, misappropriated, and even invested in futile ventures [9]. The factor has highly contributed to higher net deficits, which has worsened their already precarious financial situation. As a result, the public universities are unable to remit statutory deductions on time, meet operational expenses and even support student amenities. Several studies linking financial reporting systems and financial performance have been conducted but focused on other sectors such as automobile, banking, and manufacturing, and none focused on public universities in the western region; hence lack of information on how they influence universities' performance. Therefore, there is a need for a study to establish the influence of financial reporting systems on the financial performance of selected public universities in Western Region.

LITERATURE REVIEW

2.1 Theoretical Review
2.1.1 Technology Acceptance Model
The theory was brought forward by Fred Davies in 1989. It fashions how individuals behave when presented with technology. When individuals and organizations are presented with technology, their selections on how and the appropriate time to use it are influenced by anticipated ease of use and expected usefulness. The anticipated usefulness defines the future users' judgment that incorporating a particular innovation into their activities will lead to an improvement in their life, job and performance. Anticipated ease of use is the users' estimation that the said innovation will be free from effort or will lead to easy execution of the tasks. The theory was adapted from the reasoned action theory and planned behavior theory. Both theories were valuable models that could interpret and predict the actual behavior of individuals; however, problems occurred since they could not give reasons to system acceptance. For this reason, Fred Davies adopted the two theories and proposed Technology Acceptance Model [4]. In relation to the study, the theory analyzed the adoption of financial reporting systems by public universities and comprehension of the fit between the cost and return on investment for increased operational efficiency, performance, and enhanced decision-making processes.

2.1.2 Diffusion of Innovation Theory
The theory was postulated by Rodgers Everett in 1962. It explains how and the rate at which innovations get to spread through a particular population or social system over a specified time interval. After being introduced into a social system, the innovation is taken up by early adopters who spread the technology throughout the population, with more people being receptive to it over time until the stage where saturation is attained. The social system is categorized into laggards, late majority, early majority, early adopters, and innovators (Everett, 1962). Innovations are critical in bringing forth increased productivity. The process of innovation should, however be preceded by an examination of the conventional economic outcomes and all the delightful and present risks that are associated with putting in place new technology. The major barriers to the spreading of innovation in a social system are high concentration, psychological population barriers, and low consumer demand. Successful withdrawal of the barriers will speed up the learning innovation process and thus improve the economic situation [7]. The theory supported the independent variable of the study. Financial reporting systems are innovations that public universities put in place to enhance decision-making. The theory therefore gave a deeper comprehension of how technological trends spread through public universities and assess the likelihood of success or failure before the whole implementation process and deals with threats accordingly and thus predicted how it influenced financial performance.

2.1.3 Balanced Scorecard Theory
The theory was postulated by Kaplan and Norton in 1992. It gives a mechanism for measuring strategic performance
that, in the end, cascades down to objectives, mission, and vision set by an organization. The balance scorecard is built on four main constructs; internal procedures perspective, financial perspective, customer perspective, and employee growth and learning. The theory puts together the financial performance of organizations, tracking customer utility and attitudes, defining and working towards internal goals required in attaining client goals, and also putting in mind both the shareholders' and clients' needs [8]. The relationship between the four constructs of the balanced scorecard is logical and not casual, as suggested earlier when the theory was postulated. It is necessary for an organization to put in place highly integrated performance management systems that incorporate the subjective approach and intuition of high-level managers. The integration of both the subjective and objective approaches ensures the organization not only focuses on past performance but also on future performances as well [15].

2.2 Conceptual Framework
A conceptual framework is a roadmap that illustrates the connection between variables used in the study [10]. From Figure 2.1, the relationship between financial reporting systems as the independent variables and financial performance as the dependent variable is analyzed.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Financial Reporting Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of unqualified audit reports</td>
<td></td>
</tr>
<tr>
<td>Rate of IFRS compliance</td>
<td></td>
</tr>
<tr>
<td>Time taken to generate financial Reports</td>
<td></td>
</tr>
<tr>
<td>Degree of faithful representation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Surplus/Deficit</td>
<td></td>
</tr>
</tbody>
</table>

2.3 Empirical Literature
Financial reporting systems promote efficient and effective financial reporting and hence improve the entire decision-making process of an entity. As put forward by [20] in their study on accounting information systems and corporate governance, financial reporting was found to have a significant impact on the performance of Turkish non-listed firms and, therefore, improved corporate governance. The study sampled 400 firms operating in Istanbul, where 142 firms responded, giving a response rate of 35.5%. The study used simple random sampling, and partial least square (SEM) was employed to analyze the data since the sample was small. [20] also postulates that the stakeholder's rapidly growing need for economic and non-financial information has transformed the financial reporting process, and as a result, financial reports are prepared in accordance with the required accounting and financial reporting framework to ensure uniformity and comparability. [18] also did a study to establish the relationship between financial reporting quality and financial performance of Companies listed at the NSE. A descriptive research design was employed with census sampling used to obtain a population of 68 companies listed on the NSE. Secondary data was collected from financial statements over a five-year period from 2012 to 2016. ANOVA and multiple regression analysis were employed to determine the relationship between the dependent and independent variables and where a significant positive relationship was found between financial reporting quality and financial performance. Financial reporting quality is always evaluated on the subordinate basic qualitative characteristics, which encompass understandability, comparability, verifiability, timeliness, faithful representation, and relevance. [13] studied the effects of financial reporting on the organizational performance of public corporations under the ministry of tourism. A descriptive research design was used where data collected from 103 respondents who were sampled randomly was analyzed via descriptive statistics and inferential statistics that involved Pearson correlation and multivariate regression analysis. The study established that the influence of financial reporting on the organization performance of public corporations under the ministry of tourism in Kenya was significant in that improvement in financial reporting led to an increase in financial performance. [11] did a study on the relevance of financial reporting on performance of quoted companies when international financial reporting standards are adopted. The study sampled 65 companies quoted listed on the Bucharest stock exchange and collected secondary data from published financial statements. Financial reporting was regressed against net income, which was used to measure performance. The study identified that when International Financial Reporting Standards were introduced and incorporated into the financial reporting of the listed firms, financial performance improved. Further, [17] investigated the ethical compliance by accountants and financial reporting on performance. The study sampled 25 companies from five sectors which were selected through purposive sampling. Primary data was collected through questionnaires rated on a five-point Likert scale where descriptive statistics and Spearman's rank order correlation methods were used for data analysis. The study concluded that when financial reporting is done in compliance with the required framework, the quality of financial information improves and thus financial performance. [14] opines that the degree to which financial reporting becomes effective relies on timeliness, reliability, completeness, relevance, and objectivity of the financial information provided, and therefore, organizations should see to it that financial reports conform to all these aspects through accurate recording of financial transactions and adhering to the generally accepted accounting principles.
METHODOLOGY

3.1 Research Paradigm
The research adopted a pragmatic research philosophy. The research paradigm acknowledges that there are numerous ways of understanding a phenomenon, given that realities have multiple outcomes or occurrences. Identification of the multiple realities is derived through condensing the qualitative and quantitative research techniques so as to fully comprehend the circumstances surrounding the problem under study [3].

3.2 Research Design
The study was centered on a sequential exploratory research design. The design was suitable since the study sought to determine the stability and flow of the relationship between financial reporting systems and financial performance with the use of both qualitative and quantitative data. Quantitative data was used to support the findings of the qualitative data in the study; hence suitable.

3.3 Target Population
The study targeted 215 employees located in the accounting and audit departments of the 10 public universities in Kenya. The population was ideal since the 10 public universities have put in place FRS that are used to generate financial reports for decision making. The targeted respondents have a close interaction with FRS and thus provide key information necessary for the study. A target population is a group of people or elements that a study aims to analyze [12].

3.4 Data Collection Instruments
Questionnaires and document analysis were employed to collect data for the study. The questionnaires were structured to collect data to analyze the influence of financial reporting systems on financial performance measured on a five-point Likert scale. Questionnaires were used since they are considered cost-effective and time-saving in terms of administration and analysis [1]. Audited financial statements were also used to collect secondary data on net surplus/deficit as a measure of financial performance. The statements are audited and hence reliable.

3.5 Data Collection Procedure
Data collection was spearheaded by authorization from the board of graduate studies and a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI). The study used the drop-and-pick method that saw questionnaires being remotely delivered to respondents and later handpicked after a period of two weeks. The period gave respondents more time to respond to the questionnaires. Secondary data was collected on separate visits to the public universities, where the financial statements were closely scrutinized for information on net surplus or deficit, which was a measure of financial performance.

3.6 Reliability
The reliability of the questionnaires was assessed through internal consistency. It is used to determine the consonance of the research instrument in estimating the characteristics or the behavior of a test. Cronbach's alpha being the most common method of testing internal consistency was used to test the reliability of the questionnaires as a data collection instrument. As indicated in Table 4.1, the Cronbach alpha values for financial reporting systems and financial performance were 0.834 and 0.705. Given the results of the pilot study and the alpha values, it is clear all constructs of the study were deemed reliable since their values were more than the required alpha value of 0.70.

<table>
<thead>
<tr>
<th>Table 3.1: Reliability of Research Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>FRS</td>
</tr>
<tr>
<td>Financial Performance</td>
</tr>
</tbody>
</table>

3.7 Validity
The study engaged experts who offered comments regarding the face validity and suitability of the questionnaires as an instrument for data collection. The use of experts enabled the study to identify areas that needed alterations, after which modifications were made so as to realize the objectives of the study. Further questionnaires from the pilot study were tested for construct validity through confirmatory factor analysis (CFA). The Kaiser – Mayer – Olkin and Bartlett's tests were used to test the sufficiency of the data for factor analysis. Table 4.2 shows the results of KMO and Bartlett’s results which are considered measures of validity for factor analysis. The test derives the average variance extracted (AVE), the KMO, and Bartlett’s test of Sphericity. AVE shows the convergent validity of the data and measures the level of variance shown by the constructs in relation to the variance caused by measurement error. Values of more than 0.5 are considered acceptable, and from the table, it is evident that all the constructs had values greater than 0.5 hence proving the suitability of the data. As seen in table 3.2, all Bartlett's values have p values of less than 0.05 hence significant at 95% confidence interval. The scores show that the constructs involve correlational matrices, which are not identity matrices. Thus, the sampled data from the pilot study was proved to be adequate for factor analysis.
3.8 Data Processing, Analysis, and Presentation

Data were analyzed using descriptive statistics and inferential statistics. Descriptive statistics were ideal since they enabled summarizing all the characteristics relating to financial reporting systems. Inferential statistics involving binary regression analysis was employed to test the hypotheses and the statistical significance to determine the influence of financial reporting systems on financial performance. The presentation of data was done via tables since they are the simplest ways of summarizing data. The following multivariate regression model 3.1 was used:

$$\log Y = \beta_0 + \beta_1 FRS + \varepsilon \quad (3.1)$$

where:
- $Y$ - Financial Performance (Net surplus/ deficit)
- $\beta_0$ - Regression Constant (Net Surplus/deficit when FRS is not adopted)
- $\beta_1$ - Regression coefficients indicating difference in financial performance when FRS, a component of AIS is adopted in public universities
- FRS- Financial Reporting Systems
- $\varepsilon$ - The error term

### RESEARCH FINDINGS

#### 4.1 Response Rate

To effectively establish the relationship between FRS and the financial performance of public universities, questionnaires were issued to 138 respondents in the selected 10 public universities under study through a drop-and-pick method. As in Table 4.1, from the issued questionnaires, 109 respondents were able to respond and return questionnaires, while 29 respondents did not submit their questionnaires. This translated to a response rate of 80%. According to [10], a response rate of 50% and above forms a sufficient basis for analysis and reporting, thus reliable for generalization to a larger population.

### Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Details</th>
<th>Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned questionnaires</td>
<td>109</td>
<td>80%</td>
</tr>
<tr>
<td>Unreturned questionnaires</td>
<td>29</td>
<td>20%</td>
</tr>
<tr>
<td>Total (Issued questionnaires)</td>
<td>138</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Table 4.2: Descriptive Statistics

<table>
<thead>
<tr>
<th>Statement</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified audit reports</td>
<td>36</td>
<td>56</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>138</td>
</tr>
<tr>
<td>Nature of audits influence financial performance</td>
<td>45</td>
<td>47</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>138</td>
</tr>
<tr>
<td>Financial reports are prepared according to the IFRS</td>
<td>48</td>
<td>46</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>138</td>
</tr>
<tr>
<td>Financial reports are prepared on time</td>
<td>48</td>
<td>46</td>
<td>13</td>
<td>8</td>
<td>0</td>
<td>138</td>
</tr>
<tr>
<td>Timely preparation of financial statements influences financial performance</td>
<td>40</td>
<td>40</td>
<td>21</td>
<td>6</td>
<td>2</td>
<td>138</td>
</tr>
<tr>
<td>Financial statements represent a true and fair view</td>
<td>35</td>
<td>38</td>
<td>19</td>
<td>14</td>
<td>3</td>
<td>138</td>
</tr>
<tr>
<td>Degree of faithful representation influences financial performance</td>
<td>48</td>
<td>28</td>
<td>21</td>
<td>7</td>
<td>5</td>
<td>138</td>
</tr>
<tr>
<td>Quality of financial reporting influences financial performance</td>
<td>40</td>
<td>40</td>
<td>12</td>
<td>14</td>
<td>3</td>
<td>138</td>
</tr>
</tbody>
</table>

As seen in Table 4.2, From a population of 109, 92 respondents agreed that the selected public universities in Western region, Kenya had unqualified audit reports, which translated to 84.40% of the population. From the findings, it was evident that the accounting process of the public universities can be trusted by third parties since...
they conform to the GAAP's. For those who disagreed, it showed that some public universities had qualified audit reports; therefore, the quality of their accounting cannot be trusted; hence may experience misappropriation of funds and misuse of resources. Therefore, they need to put in more effort to adhere to the GAAP's to improve the nature of their audit reports. Further, it was established that most of the respondents 92 (84.4%), agreed that the financial performance of the public universities was influenced by the nature of audit reports they produce. Since we have seen the audit reports are unqualified, it shows that the audit reports send a positive signal to lenders, suppliers, and creditors. The public universities are, therefore, able to pay fewer audit fees, and they can get more favorable credit terms from creditors and get access to reduced financing costs. Also, from 109 respondents, 1 (0.9%) strongly disagreed, 3 (2.8%) disagreed, 11 (10.1%) remained neutral, 46 (42.2%) agreed and 48 (44.0%) strongly agreed that their financial reports and statements are prepared according to the International Financial Reporting Standards. 94 respondents who agreed and strongly agreed translated to (84.4%) of the entire population and affirmed that most public universities are able to give transparency to users of financial information, and they can be able to accurately compare their performance with other public universities.

The remaining respondents who disagreed proved that 3.7% of the public universities that do not adhere to IFRS have unstandardized accounting and financial reports hence no consistency. Since most respondents agreed that public universities adhere to timely preparation of financial statements, they are able to improve the accuracy and timeliness of financial information hence managing their resources better and can make informed decisions in time. The remaining universities that do not prepare financial statements on time are at risk of making inappropriate decisions due to a lack of performance evaluation and therefore don't fully understand their status of affairs. From Table 4.2, it can be established that the financial performance of the selected public universities in Western, region, Kenya was influenced by the timely preparation of financial statements. Due to timely preparation of financial statements, the public universities can prepare quality budgets and make it easy for the public universities to make appropriate financial decisions that will lead to improved financial performance and hence the growth of the business. With respect to true and fair view, the results show that 73 (67%) of the respondents were in agreement that the financial statements of the selected public universities in Western, region, Kenya portrayed a true and fairview. As shown in Table 4.2, 3 (2.8%) strongly disagreed, 14 (12.8%) disagreed, 19 (17.4%) were neutral, 38 (34.9%) agreed and 35 (32.1%) respondents strongly agreed. This implies that the financial statements of most public universities are free from material misstatement and faithfully represent their true financial position and financial performance.

The institutions are therefore in a better position to provide critical information to both external and internal users who are able to obtain reliable information from the statements and make appropriate investment decisions. It is also evident financial statements of some public universities (27%) do not represent a true and fair view. As a result, they are not able to give a reflection on their financial position and hence can't compare their financial performance with other institutions. Results in Table 4.2 also show that from the 109 respondents, 5 (4.6%) strongly disagreed, 7 (6.4%) disagreed, 21 (19.3%) neutral, 28 (25.7%) agreed, and 48 (44.0%) strongly agreed that the degree of faithful representation had an influence on the financial performance of the selected public universities in Western, region, Kenya. The majority of the respondents 76 (69.7%), affirmed that the degree of faithful representation has an influence on financial performance. Faithful representation helps the public universities provide the true economic phenomenon of accounting records which reduces errors and cuts the wastage of resources, thus improving the overall financial performance. Lastly, the output of the study indicates that respondents strongly agreed that the quality of financial reporting influences the financial performance of selected public universities in Western region, Kenya. The results indicate that when public universities improve the quality of their financial reports, their financial performance improves. Public universities are able to point out trends in relation to the collection of revenue and payment of creditors; hence the quality of decisions made by the management are greatly enhanced and, in the end, financial performance is improved.

4.3 Inferential Statistics

4.3.1 Model Summary

The model summary in Table 4.3 reports the solidity of the relationship between the model and the dependent variable. R is a coefficient of multiple correlation that shows the extent of linear correlation between model's predicted values with the ones observed. An R-value of 0.785 depicts a strong association between values predicted by the model and the actual values derived after the analysis. R² shows the coefficient of determination which indicates the variations in the model between the independent and the dependent variable. The value

\[ R^2 = 0.616 \]

implied that the financial reporting system explains 61.6% of the variations in the financial performance of the selected public universities in Western region, Kenya. The other 38.4% of the variations in financial performance are not explained by the model but other factors that are not included in the model. The derived value of 1.853, which is approximately 2 in Table 4.3, suggests that there is no autocorrelation between the construct of the study, indicating independence.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.785*</td>
<td>.616</td>
<td>.592</td>
<td>0.107</td>
<td>1.853</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FRS
b. Dependent Variable: Financial Performance
4.3.2 ANOVA

The ANOVA shows the relationship between financial reporting systems and the financial performance of public universities in Western region, Kenya. The output indicates that financial reporting systems significantly influenced financial performance at 95% confidence interval given a p-value of 0.027, which is less than 0.05. The f statistic derived from the ANOVA denotes the significance of the relationship between financial reporting systems constructs and financial performance. An f statistic value of 3.587 is more than the calculated f critical value of 2.46. This indicates that there is a significant relationship between financial reporting systems and the financial performance of public universities in Western region, Kenya.

Table 4.4: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>f</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.540</td>
<td>4</td>
<td>0.385</td>
<td>3.587</td>
<td>.0272</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>104</td>
<td>0.107</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11.302</td>
<td>108</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4 Conclusion

There is a significant relationship between financial reporting systems and the financial performance of public universities in Western region, Kenya. The conclusion points to the fact that when financial reporting systems are improved, financial performance improves significantly.

4.5 Recommendations

The management of public universities should work towards the enhancement of financial reporting systems by improving their quality by incorporating the International Financial Reporting Standards to ensure accuracy and transparency in the financial reports being produced by the systems. When a financial statement represents a true and fair view of the public universities, third parties have more confidence in their affairs, and as a result, they are able to access more credit, get more favorable terms in relation to the suppliers, and hence the financial performance will improve since the expenses will reduce considerably.

Table 4.5: Multiple Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>3.147</td>
<td>.798</td>
<td>3.946</td>
<td>.000</td>
</tr>
<tr>
<td>FRS</td>
<td></td>
<td>-.214</td>
<td>-.054</td>
<td>3.963</td>
<td>.017</td>
</tr>
</tbody>
</table>

REFERENCES


Author Profile

Kahenda Lyndah is a holder of Bachelor of Commerce (Accounting) from Masinde Muliro University of Science and Technology. She is currently pursuing a Master of Business Administration (Accounting) at Kaimosi Friends University. She has valuable working experience in accounting and auditing.