

**THE EFFECT OF AUTONOMY ON FINANCIAL PERFORMANCE OF
PARASTATALS IN KENYA**

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ABSTRACT

Autonomy is the quality of state of being self – governing, especially the right or power of self – government, existing or capable of existing independently, and subject to its laws only. In other words, the issue is one of “degree of autonomy rather than an absolute autonomous state. While autonomy has made the process of financial accountability for the nature and quality of services provided by parastatals. The change of government funding to block grants has been accompanied by responsibility and financial accountability of parastatals, who have typically responded with more timely, detailed, and accurate financial statement. The aim of this study was to establish the level of autonomy of parastatals in Kenya, in relation to their financial performance. The population of the study comprised of all parastatals in Kenya, numbering thirty one. The study was descriptive in nature and a census method was used since there are only a few parastatals in Kenya. The data collected was presented using descriptive statistics and analyzed using multivariate regressions. Overall it was found that autonomy increases public accountability and consumer satisfaction. Many respondents felt that autonomous parastatals, vested with greater, authority were in a better position to respond to local community needs. They also felt that autonomy is likely to lead to improvements in the quality of life for its citizens, and that greater autonomy when accompanied by appropriate incentives, consumer responsiveness, and public accountability would lead to optimal financial performance. The findings indicated that most respondents felt that autonomy of parastatals was influenced to a large extent by political interference on its business undertakings, and still to a very high extent as compared to when there was full control by the government. In the light of the research findings, the researcher recommends; what needs to be done to improve the corporation’s financial performance with regards to autonomy from the government. The government should give the corporations the leeway to make decisions on investment and expansion as well as implementing day – to- day business activities. On the other hand the government should provide clear information and performance feedback, increase incentives and motivations among corporation employees. Again, the government should propose strategic direction, leadership, capacity building, reorganization and restructuring of parastatals.