

**INFLUENCE OF FINANCIAL MANAGEMENT CONTROL ON
PERFORMANCE OF HOTELS IN LAKE REGION, KENYA**

OTIENO LINDA BERYL AKINYI



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OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF
BUSINESS ADMINISTRATION DEGREE IN FINANCE OF
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DECLARATION AND APPROVAL


Declaration by the student

This research project is my original work and has never been presented for any academic award in any institution.

BERYL LINDA AKINYI OTIENO

MBA/2021/80110

Signature:

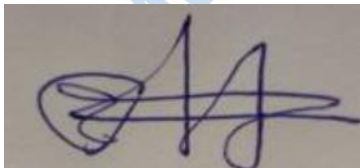


Date 10th July, 2025

Approval by the supervisor

This research project is being submitted for examination with my approval as a university supervisor.

Signature:



..... Date 10/7/2025.....

DR. Oscar Sangoro

Lecturer School of Business & Economics

Mount Kenya University

DEDICATION

A special feeling of gratitude to the memory of my father, Samuel. To Rose, Justus, Yul, Yuan and Renee for unwavering support, love and motivation.



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ABSTRACT

In the contemporary hospitality industry, financial management control plays a pivotal role in determining the operational success and sustainability of hotels. As global and regional markets grow increasingly competitive, hotels must adopt robust financial control mechanisms to ensure prudent resource allocation, cost efficiency, and revenue maximization. The performance of hotels in Lake Region is crucial to the region's economy, contributing significantly to employment, tourism, and local development. However, many hotels in this area continue to face financial challenges, including irregular cash flows, mismanagement of funds, and inefficient financial controls, which adversely impact their overall performance and sustainability. The current study endeavored to find out the influence of financial management control on performance of hotels in Lake Region. Specifically, the study sought to determine the influence of budgeting, financial audits, cash flow analysis and financial reporting on performance of hotels in Lake Region. The study was guided by agency theory, audit expectation gap theory, liquidity preference theory and signaling theory. The study was conducted in Lake Victoria region. The study adopted a correlational research design. The 15 hotels in lake region that have earned a star rating from the Tourism Regulatory Authority made up the study's population. The study was a census study. Questionnaires with close-ended questions was used to collect primary data. Content validity was determined through consultations and discussions with the experts, academicians and the supervisor. A Cronbach Alpha method was used to determine reliability and data was analyzed using descriptive and inferential statistics with the help of Statistical Package for Social Sciences software version 26. The research used inferential statistics, namely correlation and regression analysis, to examine the null and alternative hypotheses. A Multiple Regression analysis was used to investigate the impact of variations in the independent variables on changes in the dependent variable. To assess the success of the regression model, the coefficient of determination was computed. The findings indicate that all model coefficients achieved statistical significance at a significance level of 0.05. Results showed that the relationship between budgeting, financial audits, cash flow analysis, financial reporting and performance of hotels in Lake Region is linear, positive and significant. For each unit increase in budgeting, performance increases by approximately 0.277, holding all other factors constant. A unit increase in the quality of financial audits is associated with a 0.230 increase in performance. An increase of one unit in cash flow analysis leads to a 0.323 increase in performance. Each unit increase in financial reporting contributes to a 0.224 increase in performance. The study therefore concluded that financial management control significantly affected performance of hotels in Lake Region in Kenya. The

study recommended that there is need for regular reviews and adjustments to budgeting practices to adapt to changing market conditions, ensuring that the budgeting process remains relevant and effective. Management should also create a system for tracking the implementation of audit recommendations. Regular cash flow reviews should be integrated into the management processes ensuring that hotels remain resilient and responsive to market fluctuations.



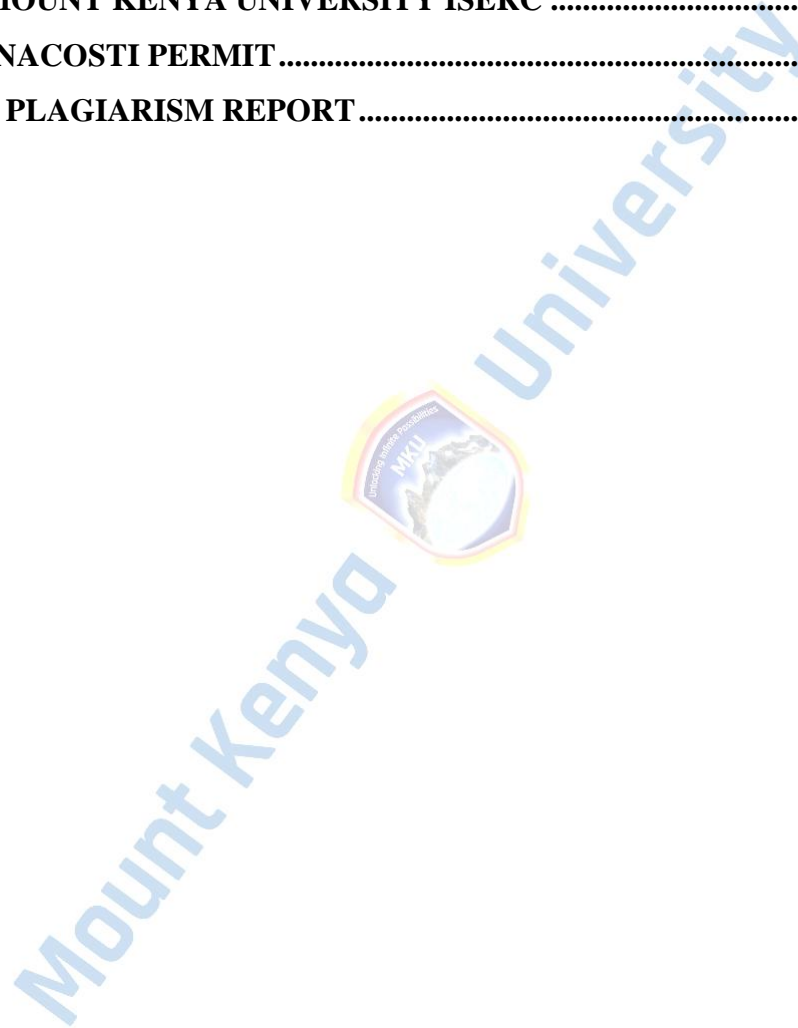
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LIST OF ABBREVIATIONS AND ACRONYMS

ADR- Average Daily Rate

COVID-19 – Coronavirus Disease 2019

FMCS-Financial Management Control Systems

NACOSTI- National Commission for Sciences, Technology and Innovation

ROA- Return on Assets

ROE- Return on Equity

REVPAR- Revenue per Available Room

SME- Small and Medium Enterprises

SPSS- Statistical package for social sciences

TRA- Tourism Regulatory Authority

UAE- United Arab Emirates

UK- United Kingdom



Mount Kenya University

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The chapter examines the background of the study, statement of the problem, purpose of the study, objectives of the study, research question were looked into, justification, significance of the study, scope of the study, limitation, Delimitation, assumption of the study as well as operational definition of terms.

1.1 Background to the Study

Financial management control systems (FMCS) are structured methods used by hotels to monitor, control, and evaluate financial performance. These systems include budgetary controls, variance analysis, cash flow management, and financial reporting, which provide critical data to hotel managers for effective decision-making (Merchant & Van der Stede, 2017). FMCS help ensure that financial activities align with the hotel's strategic goals and contribute to improved financial performance by reducing waste, preventing fraud, and enhancing accountability (Simons, 2020).

The hospitality industry, particularly classified hotels, operates in a highly competitive and dynamic environment that requires stringent financial management to ensure profitability and sustainability. Financial management control is essential for classified hotels as it encompasses budgeting, financial planning, accounting, and internal control systems that guide decision-making and resource allocation (Chenhall & Moers, 2015). Proper financial management is critical for enhancing operational efficiency, cost control, and overall performance, especially in an industry that is susceptible to fluctuations due to economic cycles, seasonal demand, and global crises.

Research has shown a strong correlation between financial management control and the performance of hotels. Effective financial control enhances operational efficiency, reduces costs, and improves the quality of performance of classified hotels in Lake Region, leading to higher customer satisfaction and increased revenue (Abernethy & Chua, 2016). Hotels with robust financial control systems can better manage resources, streamline operations, and achieve a competitive edge in the market. For instance, through effective budgeting and financial planning, hotels can allocate resources optimally, minimize costs, and maximize profits (Anthony & Govindarajan, 2022).

Despite the benefits, implementing effective financial management controls in classified hotels presents several challenges. The hospitality industry is characterized by high operational costs, fluctuating demand, and diverse revenue streams, making financial control complex (Nicolăescu, 2019). Additionally, hotels often face difficulties in integrating financial control systems with other operational processes, which can lead to inefficiencies and inaccuracies in financial reporting. The lack of skilled financial managers and inadequate training further exacerbate these challenges, affecting the overall performance of hotels (Jones & Lockwood, 2019).

Globally, hotels that establish strong financial management control (FMC) systems consistently report better financial outcomes and greater operational efficiency. In developed economies such as the United States and parts of Europe, hotel chains leverage sophisticated FMC tools, including real-time financial dashboards, predictive analytics, and automated reporting mechanisms to guide strategic decision-making. These systems facilitate proactive responses to market volatility, optimize budgeting, and ensure cost containment across departments (Abernethy & Chua, 2016). FMC implementation in these contexts is linked to enhanced profitability and service consistency, even during off-peak seasons. The ability to align financial strategy with dynamic consumer demand enables these hotels to maintain competitive positioning, reinforce investor confidence, and support long-term growth through reinvestment and innovation in both services and infrastructure.

During periods of global crisis, such as the COVID-19 pandemic, the relevance of FMC systems became even more apparent. A study by Bruns et al. (2021) observed that hotels equipped with robust financial controls demonstrated significantly better resilience compared to their counterparts. These hotels implemented cost rationalization measures, monitored liquidity daily, and applied scenario-based financial forecasting to navigate uncertain revenue streams. For instance, many hotels in Europe maintained operational continuity by quickly reducing discretionary spending and reallocating resources to essential areas like health protocols and digital booking systems. FMC structures also allowed them to assess real-time performance data, enabling swift managerial decisions. This adaptability not only mitigated financial losses but also accelerated recovery, demonstrating how FMC systems play a strategic role in risk mitigation and crisis response in the hospitality sector.

In Asia, where hotel markets are highly competitive and often consumer-driven, financial management control has enabled rapid business model transformation. Hotels in countries like South Korea, Singapore, and Malaysia adopted FMC systems that incorporated digital payment tracking, cost-performance monitoring, and demand-sensitive pricing models (Kim et al., 2021). These tools allowed management to respond effectively to changing customer expectations, such as the shift to contactless services and heightened cleanliness standards post-COVID. Additionally, hotels used FMC data to reassess investment priorities, optimize utility usage, and renegotiate supplier contracts. Such systems fostered flexibility, allowing hoteliers to pivot from traditional hospitality operations to innovative solutions, including hybrid event hosting and wellness tourism. In turn, this agility safeguarded market share and enhanced recovery post-crisis, affirming FMC's strategic value in volatile environments.

In many African countries, there is an increasing push toward strengthening accountability and transparency within the hospitality sector, driven by the need to enhance investor trust and align with international standards. Financial management control (FMC) systems play a crucial role in this transformation by promoting accurate record-keeping, regular audits, and compliance with financial regulations. As the hotel industry becomes more competitive and exposed to global financial scrutiny, effective FMC ensures that organizations maintain credibility with stakeholders. Adeola and Ezenwafor (2020) found that Nigerian classified hotels with robust financial control frameworks demonstrated higher levels of tax compliance and reduced incidences of financial irregularities. This transparency boosts investor confidence, facilitates access to financing, and enhances long-term sustainability in a rapidly evolving hospitality environment.

In South Africa, the relevance of financial management control systems was clearly demonstrated during the COVID-19 pandemic, a period that tested the financial resilience of many businesses. Hotels with well-established FMC frameworks were able to implement timely cost-reduction measures, monitor real-time financial data, and pivot operations to meet new market demands such as reduced occupancy and increased health protocols. These practices not only minimized operational disruptions but also enabled hotels to access government relief programs and manage cash flows effectively (Mhlanga, 2022). The crisis underscored the need for preparedness and agility in financial planning, with FMC acting as a strategic tool for survival and adaptation. As such, South Africa's hotel sector offers a strong example of how financial control systems can buffer external shocks and support organizational continuity.

In North African nations such as Morocco and Egypt, the hospitality industry is increasingly leveraging digital financial management control tools to enhance operational efficiency and strategic planning. These tools support accurate budgeting, facilitate expense tracking, and enable data-driven pricing decisions, all of which are essential in highly competitive tourism markets. The shift toward digitized FMC is also driven by the need to reduce financial fraud and improve reporting timelines. El-Naggar and Abd-Elaty (2020) highlight that North African hotels using integrated financial software experienced improved forecasting capabilities and more consistent regulatory compliance. This evolution reflects a broader regional trend of embracing financial technology to optimize hotel performance, demonstrating that effective FMC is not only about control but also about innovation and growth in the African hospitality context.

In East Africa, the adoption of FMC is becoming increasingly important due to the competitive nature of the hospitality sector and the various economic challenges that hotels face. In Tanzania, studies have shown that hotels with robust financial controls are better able to detect and prevent financial irregularities, thus safeguarding their assets and maintaining stakeholder confidence (Muganda et al., 2021). In Uganda, classified hotels that utilize FMC tools have demonstrated greater resilience during economic downturns by adjusting their pricing strategies, managing cash flows more effectively, and cutting non-essential expenditures (Katusiime & Namubiru, 2022). In Rwanda, the adoption of technology-driven FMC systems has led to significant improvements in revenue management and customer satisfaction in classified hotels (Nkurunziza & Mbarushimana, 2021).

Performance is a critical dimension in the sustainability and competitiveness of classified hotels in Kenya. With the sector facing high operational expenses—such as staffing, energy consumption, food supplies, and regulatory fees—financial performance becomes closely tied to cost control efficiency. Financial management control (FMC) enables hotels to monitor expenditures, allocate resources effectively, and identify inefficiencies. For example, classified hotels in Nairobi that apply structured budgeting and expenditure tracking have reported improved operational efficiency and notable cost reductions (Nganga & Muturi, 2022). These savings not only strengthen profit margins but also allow for reinvestment in service quality and infrastructure. Consequently, hotels that adopt sound FMC practices tend to enjoy better financial stability and competitive positioning within the dynamic hospitality industry.

In addition to reducing operational costs, strong FMC systems enhance accountability and minimize financial risks. Research has shown that hotels with robust internal controls report fewer

incidents of financial mismanagement and fraud, contributing to organizational trust and regulatory compliance (Mwangi & Wanjohi, 2022). The presence of clear financial reporting procedures and routine audits fosters a culture of transparency, which is essential for maintaining investor confidence and securing funding. During the COVID-19 pandemic, FMC played a vital role in helping hotels navigate financial uncertainties. Hotels with pre-existing FMC systems were able to renegotiate supplier contracts, restructure debt, and adjust spending priorities swiftly, thus avoiding closure and maintaining core operations (Muriithi et al., 2021). These examples demonstrate how FMC directly supports resilience and performance under both normal and crisis conditions.

The adoption of financial technologies is also transforming the performance landscape of hotels in Kenya. Many classified hotels are now integrating advanced FMC tools—such as cloud-based accounting systems, real-time analytics, and automated budgeting platforms—into their daily operations. These technologies enhance the accuracy, speed, and reliability of financial data, enabling hotel managers to make informed decisions promptly. Njuguna and Mwenda (2023) found that hotels leveraging digital FMC systems reported higher revenues, increased operational control, and improved customer satisfaction compared to those using manual processes. Technology-enabled FMC also supports predictive analytics, allowing hotels to forecast trends and plan proactively. As such, the modernization of financial management is not just a back-office function but a strategic enabler of hotel performance and service excellence in the Kenyan context.

1.1.1 Financial Control Management

Financial Management Control encompasses several critical components, each playing a unique role in monitoring, controlling, and guiding financial decisions. The key elements of FMC include budgeting, financial audits, cash flow analysis, and financial reporting. Budgeting involves budget preparation, adherence, and variance analysis. According to Kariuki and Kamau (2018), effective budgeting enhances performance by aligning financial resources with strategic goals, improving decision-making and cost control.

Financial audits are a critical component of FMC, providing an independent assessment of a company's financial statements, internal controls, and overall financial health. Audits are conducted to ensure that financial records are accurate, reliable, and compliant with applicable laws and regulations. They also help identify potential areas of financial risk and mismanagement. Financial audits play a significant role in enhancing accountability and transparency. Audits help

detect and prevent fraud, assess the effectiveness of internal controls, and ensure that financial practices align with the organization's policies and regulatory standards (Kimani & Kihara, 2021). By conducting regular audits, hotels can identify financial discrepancies early, take corrective actions, and improve their financial management practices.

An essential component of FMC, cash flow analysis shows how much money came in and how much went out over a certain time period, giving businesses a better idea of their liquidity. This study sheds light on the firm's liquidity, debt management, and capacity to budget for future expenses. Effective cash flow management is crucial for classified hotels, which often face fluctuating revenue streams due to seasonal demand variations. Cash flow analysis allows hotel managers to forecast cash needs, optimize spending, and ensure that sufficient cash is available to cover operational costs, such as payroll, utilities, and supplies (Nganga & Muturi, 2022). Proper cash flow management helps hotels avoid liquidity crises, improve financial stability, and make strategic investment decisions.

Prepared in the course of financial reporting are the three main financial statements—the income statement, the balance sheet, and the cash flow statement—that provide a picture of the financial health and performance of a business or other organisation. Financial reporting is essential for communicating financial information to internal and external stakeholders, such as management, investors, regulators, and creditors. Financial reporting is crucial in evaluating performance metrics, assessing profitability, and making strategic decisions. Accurate and timely financial reports enable hotel managers to track key performance indicators, such as occupancy rates and revenue per available room (RevPAR), and to implement corrective measures when necessary (Kimani & Kihara, 2021). Financial reporting also helps hotels comply with regulatory requirements and build trust with investors by providing transparent and reliable financial information.

1.1.2 Performance

Hotel performance refers to the extent to which a hotel meets its strategic, financial, and operational goals within a given period. It reflects how well a hotel utilizes its resources to provide quality services while achieving profitability and maintaining customer satisfaction. Performance in the hotel industry is not solely about financial results; it also includes service excellence, staff productivity, and the ability to attract and retain guests. A high-performing hotel ensures that all its departments—housekeeping, front office, food and beverage, and finance—are functioning

optimally to deliver a consistent guest experience. As noted by Wang and Yu (2023), the holistic nature of hotel performance makes it necessary to use a blend of financial and non-financial metrics to accurately evaluate success and competitiveness.

Financial performance, as a core aspect of hotel success, plays a pivotal role in determining a hotel's capacity for sustainability, growth, and innovation. It indicates whether the hotel is profitable and capable of meeting both its short-term obligations and long-term goals. In a dynamic industry like hospitality—characterized by demand fluctuations, seasonality, and economic sensitivity—financial performance becomes a key management focus. Profitable operations allow for reinvestment in infrastructure, technology, and workforce development. Moreover, strong financial health enhances a hotel's ability to attract investors, secure funding, and maintain creditworthiness. According to Mutuku and Mwangi (2022), classified hotels with well-managed financial systems are better positioned to adapt to changing market conditions and guest expectations, ultimately leading to sustained performance.

To assess hotel performance objectively, several financial and operational ratios are utilized. Commonly used indicators include gross profit margin, which measures the percentage of revenue remaining after accounting for the cost of goods sold; net profit margin, which shows the profitability after all expenses; and return on assets (ROA), which evaluates how efficiently the hotel's assets generate profit. In operational terms, metrics like occupancy rate, average daily rate (ADR), and revenue per available room (RevPAR) are standard benchmarks. These ratios provide management with critical insights into pricing strategy, resource utilization, and market positioning. As emphasized by Wang and Yu (2023), regularly monitoring and analyzing these metrics enables hotel managers to make informed decisions, drive continuous improvement, and maintain a competitive edge in the industry.

1.1.3 Hotel Industry

Hotels form a vital component of the broader hospitality and tourism industry, which is globally recognized for its substantial economic and social contributions. These establishments offer essential services such as lodging, meals, recreation, and business facilities, catering to both domestic and international travelers. In Kenya, the hotel industry significantly contributes to national and regional development by generating revenue, creating jobs, and stimulating infrastructure growth. According to the Kenya National Bureau of Statistics (2024), the hospitality sector accounted for approximately 7.5% of the country's GDP in 2023, underlining its importance

as a key economic driver. The continued expansion of this sector is supported by enhanced transportation networks, tourism-friendly policies, and digital marketing innovations that promote both leisure and business travel (UNWTO, 2023).

Hotels in Kenya are classified by the Tourism Regulatory Authority (TRA) into one-star to five-star categories based on service quality, infrastructure, amenities, and guest experience. This classification framework guides consumer expectations, informs pricing strategies, and ensures regulatory compliance. Classified hotels are expected to uphold higher standards in service delivery, sanitation, safety, and professionalism. In the Lake Region of Kenya—which includes counties such as Kisumu, Kakamega, and Homa Bay—classified hotels serve a variety of clientele, including local tourists, business professionals, and cross-border traders. This categorization not only strengthens consumer confidence but also enhances benchmarking, investment decisions, and government monitoring (TRA, 2023; World Bank, 2022). As a result, classification plays a crucial role in promoting service excellence and competitiveness in the hotel sector.

In the context of the Lake Region, hotels contribute directly to socio-economic development, urban growth, and regional integration. Their operations support local value chains, formal employment, and infrastructure expansion while stimulating demand for services such as transport, agriculture, and cultural tourism. Hotels also play a strategic role in facilitating Meetings, Incentives, Conferences, and Exhibitions (MICE), which attract professional audiences and enhance economic activity in host towns (African Development Bank, 2022). Furthermore, proximity to neighboring countries like Uganda and Tanzania positions Lake Region hotels as crucial actors in cross-border trade and regional diplomacy. The performance of these classified hotels, therefore, has broader implications for sustainable urbanization, regional trade flows, and the competitiveness of Western Kenya's service economy (KNBS, 2024; UN-Habitat, 2023).

1.2 Statement of the Problem

In an ideal operational context, classified hotels operating under an effective financial management control system would demonstrate stable profitability, optimal resource allocation, and enhanced service quality, ultimately resulting in increased customer satisfaction and occupancy rates. Key components such as rigorous budgeting, consistent financial audits, accurate cash flow analysis, and transparent financial reporting collectively empower hotel managers to make timely and data-driven decisions. This robust control environment is essential for promoting financial

sustainability, maintaining competitiveness, and fostering investor and stakeholder confidence in the hospitality industry (Mutua & Maina, 2023; Patel & Zhao, 2023).

The performance of classified hotels in lake region is crucial to the region's economy, contributing significantly to employment, tourism, and local development. However, many hotels in lake region continue to face financial challenges, including irregular cash flows, mismanagement of funds, and inefficient financial controls, which adversely impact their overall performance and sustainability. Despite the significant role that financial management control (FMC) plays in enhancing operational efficiency, ensuring profitability, and maintaining competitive advantage, there is growing evidence that these controls are either poorly implemented or inadequately utilized within the hotel sector in the region. (Muriuki et al., 2022; Ouma & Ndungu, 2023).

Hotels in lake region tend to have relatively low occupancy rates (Less than 56%), especially during non-peak seasons. The Average Daily Rate for hotels in lake region may be lower compared to some coastal destinations or major cities like Nairobi which may significantly affect Revenue Per Available Room. This increases operating costs leading to low Profit margins. On a national level, many hotels in Kenya report a profit margin of approximately 5-10% while in Kenya hotels tend to have profit margins in the lower end of the national average, often ranging from 3-7% (PwC, 2024). Moreover, industry reports indicate that over 28% of classified hotels in this region either temporarily closed or downsized their operations between 2020 and 2023 due to financial constraints (Tourism Regulatory Authority, 2023). Financial statements from sampled hotels further reveal declining net profits, with some experiencing losses of up to 18% annually, attributed to poor budgeting, weak audit practices, and cash flow mismanagement (Otieno & Kibet, 2024).

While past studies have examined financial control mechanisms in Kenya's hotel industry, they have predominantly focused on metropolitan areas like Nairobi and Mombasa (Juma & Ngugi, 2022; Kariuki & Kamau, 2018), thereby neglecting the Lake Region's unique socio-economic and operational dynamics. Furthermore, research has largely generalized financial management practices without adequately dissecting their specific sub-components, such as the role of internal audits or the interplay between financial reporting and cash flow analysis, particularly within classified hotels. This gap in localized, granular analysis hinders the formulation of targeted interventions (Nyakundi & Musyoka, 2023).

Given the critical importance of FMC in driving the financial performance of hotels, there is a pressing need to investigate how financial management controls influence the performance of classified hotels in the region. Understanding these dynamics is essential for identifying gaps in current practices and developing targeted strategies to enhance financial efficiency and hotel sustainability. This study sought to address the persistent challenge of poor financial performance among classified hotels in the region by examining the impact of financial management control on their overall performance and providing insights into best practices that can drive growth and resilience in the sector.

1.3 Purpose of the Study

The main objective was to determine the influence of financial management control on performance of classified hotels in Lake Region.

1.4 Objectives of the study:

- i. To determine the influence of budgeting on performance of classified hotels in Lake Region
- ii. To establish the influence of financial audits on performance of classified hotels in Lake Region.
- iii. To determine the influence of cash flow analysis on performance of classified hotels in Lake Region
- iv. To assess the influence of financial reporting on performance of classified hotels in Lake Region

1.5 Research Hypotheses:

H₀₁: Budgeting does not have statistically significant effect on performance of classified hotels in Lake Region.

H₀₂: Financial audit does not have a statistically significant effect on performance of classified hotels in Lake Region.

H₀₃: Cash flow analysis do not have a statistically significant effect on performance of classified hotels in Lake Region.

Ho4: Financial reporting does not have a statistically significant effect on performance of classified hotels in Lake Region.

1.6 Significance of the Study

This study on the influence of financial management control on performance of classified hotels in Lake Region holds significant implications for hotel management, policymakers, and scholars. For hotel management, the study provides critical insights into how financial management controls—such as budgeting, cash flow analysis, financial audits, and financial reporting—affect hotel performance. By understanding these relationships, hotel managers can implement more effective financial controls, thereby enhancing financial efficiency, reducing wastage, improving cash management, and ultimately boosting profitability. Additionally, the study equips managers with data-driven insights to inform strategic decision-making related to investments, cost management, and resource allocation, ensuring that financial practices align with the overall business objectives. The study's findings also help in developing targeted risk mitigation strategies, addressing common challenges like financial fraud and poor decision-making, which can negatively impact hotel performance.

For policymakers, the study provides valuable evidence on financial management practices that influence the performance of classified hotels in the region, thereby offering a foundation for formulating policies that support the hotel sector. The insights gained can guide the development of regulatory frameworks that enhance financial transparency, accountability, and the adoption of best practices in financial management within the hospitality industry. Furthermore, understanding the state of financial controls in these hotels enables policymakers to create regulations that improve governance and ensure compliance with industry standards. The study's findings also support the development of tailored programs, such as financial training and capacity-building initiatives, that address the specific needs of hotel managers in Western Kenya, thereby helping to bridge knowledge gaps and improve overall sector performance.

For scholars, this study contributes to the existing body of knowledge on financial management controls and their impact on organizational performance, particularly within the context of classified hotels in Kenya. By providing empirical evidence on the effectiveness of various financial control mechanisms, the study fills a gap in current literature and serves as a foundation for future research. It highlights areas that require further exploration, such as the impact of specific financial technologies on hotel performance or the role of financial audits in fraud

mitigation, opening up new avenues for scholarly inquiry. Additionally, the data from this study can be used in comparative analyses, helping researchers understand variations in financial management practices across different regions and hotel classifications and their relative effectiveness.

1.7 Scope of the Study

The study focused specifically on classified hotels located in Lake Region. This included hotels that have been officially classified according to Kenyan regulations and standards. The geographic scope was limited to this region to ensure that the findings are relevant to the local context and account for regional financial management practices and challenges. The research concentrated on classified hotels, which are categorized based on criteria such as star ratings and service quality. The study excluded non-classified hotels, hostels, and other accommodation types to maintain focus on establishments that adhere to formal classification systems. The study relied on data collected from surveys or interviews with hotel managers and financial officers. This included quantitative data on financial performance. The analytical scope included the use of statistical and analytical methods to assess the relationship between financial management controls and hotel performance. This involved descriptive statistics, correlation analysis, and regression models to interpret the data. The study was conducted between June 2024 and December 2024.

1.8 Limitations of the Study

Some of the limitations this study faced included; difficulty in accessing the facility and information from respondents due to apathy, non-response and late return of questionnaires by some respondents to facilitate analysis, inadequate response to research instrument guidelines especially the questionnaire for example some respondents deliberately ignored some questions posed for fear of giving confidential information which adversely may affect the quality of data. To get over these restrictions, the researcher showed a permission from NACOSTI to get in touch with the sample respondents, explain that the study's goals are solely academic, and use drop and pick methods to increase the response rate.

1.9 Delimitations of the Study

The study focused specifically on classified hotels in Lake Region, which was limited the generalizability of the findings to other regions or unclassified hotels. Differences in economic conditions, regulatory environments, and market dynamics mean that the results may not be

directly applicable to hotels in other parts of Kenya or beyond. The study specifically targeted classified hotels in Lake Region, excluding unclassified hotels and other types of accommodation such as guesthouses or lodges. This delimitation helps in examining a specific segment of the hotel industry, but it may not reflect the broader hospitality sector. The study focused on specific financial management controls, such as cash flows, financial reporting, and internal audits, while potentially overlooking other relevant controls or practices. This delimitation was designed to keep the research manageable and focused.

1.10 Assumptions of the Study

The research assumed that respondents (hotel managers and financial officers) provided honest and accurate responses to survey questions. It is assumed that the financial management controls selected for the study are relevant and significantly influence the performance of classified hotels. This implies that these controls are essential components of effective financial management. The research assumed that external factors such as economic conditions, market trends, and regulatory changes remain relatively stable during the study period. The study assumed that the sample size of classified hotels surveyed is sufficient to provide reliable and statistically significant results. The study assumed that the chosen methods for data collection are effective in capturing the necessary information to evaluate the influence of financial management controls on hotel performance.

1.11 Operational Definition of Key Terms

Financial Management Control: Financial management control refers to the processes and procedures implemented by an organization to ensure that its financial resources are used effectively and efficiently. This involves setting financial policies, monitoring financial performance, and implementing control mechanisms to prevent financial mismanagement and ensure alignment with organizational goals.

Performance of a Hotel: The performance of a hotel refers to how effectively and efficiently a hotel operates in achieving its financial and operational goals.

Budgeting: A budget is a plan for allocating a certain amount of money over a certain time frame, including anticipated revenues and expenditures.

Financial Audits: A financial audit is a third-party review of a company's financial records and transactions to check for correctness, completeness, and compliance with rules and laws governing accounting.

Cash Flow Analysis: Analysing the money coming into and going out of a business over a certain time frame is called a cash flow study. To determine the liquidity, financial health, and capacity to satisfy short-term commitments, one must look at the organization's cash income (from operations, investments, and other sources) and cash outflows (from operating costs, capital expenditures, and other sources).

Financial Reporting: The term "financial reporting" refers to the practice of compiling and disseminating information about an organization's financial status and performance. Statements of changes in equity, income, cash flow, and balance sheet are common components of such reports.

Classified hotel is a hotel that has undergone a rigorous evaluation and rating process, often overseen by an authoritative body in the field of tourism, either on a national or worldwide scale. Hotels are grouped according to this system's amenities, services, and quality requirements, among other things

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, a comprehensive examination of the literature is presented, including both the theoretical and conceptual frameworks that will provide direction for the research. Furthermore, it includes a comprehensive analysis of existing research for each variable, emphasizing the current deficiencies that this study intends to eliminate.

2.1 Empirical Review

The study focused on empirical research conducted to examine financial management control and performance, both at local and global levels. The evaluation included a comprehensive evaluation of the accomplishments so far, along with an illustration of the interconnections among different works and their contributions to the analysis, and with the recognition of developing areas of study that have not yet been explored.

2.1.1 Budgeting and performance

In order to learn how different budgeting methods affect the bottom lines of small and medium-sized enterprises (SMEs), Orobia et al. (2020) surveyed people in Kampala, Uganda. The study used descriptive statistics, correlation, and regression analysis to sift through the responses of 300 SMEs who filled out our cross-sectional survey questionnaires. The findings indicated that effective budgeting practices significantly improved financial performance by enhancing cost reduction, and decision-making. The study concluded that proper budgeting is crucial for financial sustainability, highlighting the need for financial management training among SME managers.

Similarly, Obara and Muraleetharan (2019) assessed the influence of budgeting information on the performance of commercial banks in Sri Lanka. This study used a quantitative approach, analyzing secondary data from the financial statements of 25 banks. Regression analysis showed that accurate and timely budgeting positively impacted performance by enhancing operational efficiency and strategic decision-making. The study concluded that robust budgeting systems are essential for improving financial performance and gaining a competitive edge.

Kariuki and Kamau (2018) explored the effect of budgeting systems on the financial performance of classified hotels in Nairobi, Kenya. Employing a descriptive research design, data were gathered from 40 hotels through questionnaires and analyzed using descriptive and inferential statistics. The study found that hotels with well-structured budgeting systems reported higher profitability and better financial performance. The conclusion emphasized the significant influence of budgeting systems on hotel performance, suggesting that their effective implementation can lead to improved financial outcomes.

Lusimbo and Muturi (2016) investigated the impact of budgeting on the financial performance of microfinance institutions in Kenya. The study used a descriptive survey design, targeting 50 microfinance institutions. Data were collected through questionnaires and analyzed using multiple regression analysis. The findings revealed that proper budgeting management enhances financial performance by improving accuracy in reporting and decision-making. The study concluded that budgeting practices are critical for the success of financial institutions and called for stronger budgeting controls.

Mohammad and Ameer (2018) analyzed the relationship between budgeting practices and the performance of manufacturing firms in Pakistan. Using a sample of 100 manufacturing firms and a cross-sectional research design, data were collected via surveys and analyzed through regression analysis. The study found that firms with strong budgeting practices experienced improved financial performance, including higher profitability and operational efficiency. The researchers concluded that effective budgeting practices are essential for managing costs and revenues, thereby enhancing overall performance.

Kimani and Mutunga (2021) examined the influence of budgeting controls on the financial performance of state corporations in Kenya. This study employed a descriptive research design, targeting 30 state corporations. Data were collected using questionnaires and analyzed using descriptive statistics and multiple regression. The findings indicated that budgeting controls, such as planning and monitoring, positively influenced financial performance by enhancing transparency and accountability. The study concluded that strong budgeting controls are vital for improving the financial performance of public sector entities.

Lastly, Juma and Ngugi (2022) explored the impact of budgeting on the performance of classified hotels in Mombasa, Kenya. Using a case study approach, the researchers targeted 20 classified hotels, gathering data through interviews and document analysis. The findings revealed that hotels

utilizing advanced budgeting information systems showed better performance, particularly in profitability and cost management. The study concluded that budgeting information systems are crucial for enhancing financial management and overall performance in the hospitality sector.

2.1.2 Financial audits and performance

Nuhu and Bawa (2021) conducted a study in Kano, Nigeria, focusing on the impact of financial audits on the performance of small and medium enterprises (SMEs). Using a descriptive survey design, they collected data from 200 SMEs through questionnaires administered to business owners and managers. The analysis, which involved descriptive and inferential statistics, showed that regular financial audits significantly improved the financial performance of SMEs by enhancing transparency, accountability, and investor confidence. The study concluded that financial audits are crucial in promoting better financial management practices and improving SME performance.

In Kenya, Kariuki and Kamau (2020) assessed the influence of financial audits on the performance of public sector institutions in Nairobi through a case study approach. Data were collected via interviews with finance officers and a review of audit reports from 15 public sector institutions, with the analysis using thematic and descriptive statistics. The findings indicated that financial audits enhanced compliance with regulations, strengthened internal controls, and positively impacted financial performance. The study concluded that regular audits are vital for good governance and improved financial performance in the public sector.

Al-Thuneibat and Al-Fayoumi (2019) evaluated the impact of external financial audits on the financial performance of listed companies in Amman, Jordan. The quantitative research involved 50 publicly listed companies, and the data were gathered through an analysis of audit reports and financial statements. Regression analysis revealed that companies that underwent frequent external audits showed improved financial performance due to enhanced investor trust and better financial discipline. The study concluded that external audits are essential for boosting corporate performance through increased transparency and credibility.

In Kenya, Ochieng and Simiyu (2022) explored the effect of internal financial audits on the financial performance of commercial banks in Nairobi. Using a cross-sectional survey design, they collected data from 30 banks via structured questionnaires administered to internal auditors and finance managers. Descriptive and inferential statistical analysis demonstrated that internal audits significantly improved the banks' financial performance by enhancing internal control systems and

detecting financial mismanagement. The study concluded that internal audits are critical for maintaining robust financial controls, which lead to improved financial outcomes.

Mahmood and Ali (2021) examined the impact of financial audits on the performance of manufacturing firms in Karachi, Pakistan. The descriptive research design involved 100 manufacturing firms, and data were collected through surveys and a review of audit reports. The analysis, conducted using regression and correlation techniques, found that financial audits contributed to better financial performance by improving risk management and compliance. The study concluded that financial audits are instrumental in identifying operational inefficiencies and promoting financial stability.

Muthoni and Mwangi (2020) investigated the effect of financial audits on the performance of county governments in Kenya, using a mixed-methods approach involving all 47 county governments. Data were gathered through interviews with auditors and an analysis of audit reports, with content analysis and descriptive statistics used to interpret the data. The findings indicated that financial audits enhanced financial accountability, reduced mismanagement, and improved performance of classified hotels in Lake Region. The study concluded that effective financial audits are essential for improving governance and financial performance in public administration.

Lastly, Hassan and Naser (2019) assessed the impact of financial audit quality on the performance of listed companies in Dubai, UAE. The quantitative research involved 60 listed companies, with data collected from audit reports and financial statements. Regression analysis revealed that high-quality financial audits were positively associated with improved financial performance due to better compliance and financial reporting quality. The study concluded that financial audit quality is a key driver of enhanced financial performance among listed companies.

2.1.3 Cash Flow Analysis and Performance

Numerous empirical studies have examined the influence of cash flow analysis as a financial management control on organizational performance, highlighting its critical role in enhancing financial stability, decision-making, and overall performance across various industries. Ahmed and Kungu (2023) explored the impact of cash flow analysis on the financial performance of small and medium-sized enterprises (SMEs) in Nairobi, Kenya. Using a descriptive survey design with a target population of 150 SMEs, data were collected through structured questionnaires administered to financial managers and owners. The analysis, conducted using descriptive and inferential statistics, revealed that SMEs that regularly performed cash flow analyses had improved

financial performance due to enhanced liquidity management, reduced financial distress, and better decision-making. The study concluded that cash flow analysis is a crucial financial management tool that enhances the financial health and performance of SMEs.

Mwangi and Karanja (2022) assessed the effect of cash flow management on the profitability of manufacturing firms in Mombasa, Kenya. Employing a case study design focusing on 20 manufacturing firms, data were gathered through interviews and financial record reviews, and analyzed using regression and correlation techniques. The findings indicated that firms engaging in active cash flow forecasting and monitoring were more profitable, as they could avoid liquidity crises and optimize their working capital. The study concluded that effective cash flow management is essential for enhancing profitability and overall performance in manufacturing firms.

Osei and Mensah (2021) investigated the role of cash flow analysis in the financial performance of listed companies on the Ghana Stock Exchange. The study used a quantitative research design, analyzing secondary data from the financial statements of 50 listed companies over five years. Multiple regression models were employed to assess the impact of cash flow components on performance metrics. The results showed that companies with strong cash flow management practices reported higher returns on assets (ROA) and equity (ROE), while poor cash flow management was associated with reduced profitability and increased financial risk. The study concluded that cash flow analysis significantly contributes to the financial success of listed companies by improving financial planning and risk management.

Kariuki and Muturi (2020) evaluated the impact of cash flow analysis on the financial sustainability of agricultural firms in Eldoret, Kenya. Using a mixed-methods approach that combined quantitative data from financial reports of 30 agricultural firms with qualitative data from interviews with finance managers, the study analyzed data through descriptive statistics and thematic analysis. The findings indicated that firms conducting regular cash flow analysis maintained better financial sustainability, as they could effectively align their cash inflows and outflows, avoiding cash shortfalls. The study concluded that cash flow analysis is vital for maintaining financial sustainability in agricultural firms, helping them manage cash reserves and plan for future growth.

Ali and Hussain (2022) explored the influence of cash flow analysis on the financial performance of retail businesses in Cairo, Egypt. The study adopted a cross-sectional survey design, sampling

100 retail businesses. Data were collected through questionnaires targeting business owners and financial officers, and analyzed using regression analysis with SPSS. The findings revealed a positive correlation between regular cash flow analysis and financial performance indicators such as profitability and liquidity ratios. The study concluded that cash flow analysis enhances financial decision-making and performance in the retail sector.

Chima and Ogbodo (2021) assessed the role of cash flow forecasting in enhancing financial performance among construction firms in Lagos, Nigeria. Using a descriptive survey design with a target population of 50 construction firms, data were collected through questionnaires administered to finance managers and financial report reviews. The analysis, conducted using descriptive and inferential statistics, found that firms performing frequent cash flow forecasts experienced better project financing and reduced financial strain, leading to improved overall performance. The study concluded that cash flow forecasting is crucial for the financial performance of construction firms, aiding in resource allocation and strategic planning.

Hassan and Ahmed (2023) analyzed the impact of cash flow analysis on the performance of hospitality firms in Dubai, UAE. The study employed a case study approach focusing on 10 hospitality firms, collecting data through interviews with financial managers and analysis of cash flow statements. Regression analysis revealed that effective cash flow analysis was linked to enhanced liquidity management, reduced financial risk, and improved profitability in the hospitality sector. The study concluded that cash flow analysis plays a critical role in improving financial performance, particularly in industries with high cash flow volatility like hospitality.

2.1.4 Financial reporting and performance

In a 2023 study by Smith and Johnson, the objective was to assess how financial reporting impacts organizational performance within the technology sector in San Francisco, USA. Using a quantitative research design, the researchers surveyed 200 technology firms and analyzed data from financial reports. Their findings indicated that accurate and timely financial reporting significantly enhances financial performance by improving decision-making processes. The study concluded that robust financial reporting practices are essential for maintaining a competitive advantage in the technology sector.

Similarly, Zhou and Li (2022) explored the effect of financial reporting quality on the financial performance of listed firms in Shanghai, China. The mixed-methods research design involved analyzing financial statements and conducting interviews with a population of 150 listed

companies. The study found a positive correlation between high-quality financial reporting and improved financial performance and investor confidence. The researchers concluded that rigorous financial reporting practices contribute to better financial outcomes and stronger investor trust.

In a study conducted by Johnson and Kumar (2021), the role of financial reporting in performance management was investigated within the healthcare industry in New Delhi, India. This descriptive study utilized document analysis and interviews with 120 healthcare organizations. The results showed that effective financial reporting provides clear insights into financial health, leading to more informed strategic decisions. The study concluded that financial reporting significantly contributes to better performance and strategic planning in healthcare organizations.

Lopez and Garcia (2023) evaluated the influence of financial reporting on organizational performance in the retail sector in Madrid, Spain. Employing a case study research design, the study focused on 50 retail firms and used comparative analysis of financial reports and case studies. The findings revealed that regular and transparent financial reporting practices are linked to improved financial performance and operational efficiency. The researchers concluded that prioritizing accurate financial reporting helps retail firms manage financial resources and performance metrics more effectively.

Brown and Davis (2022) examined how financial reporting impacts the performance of SMEs in London, UK. Using a quantitative research design, the study surveyed 180 SMEs and analyzed data collected through surveys and financial documents. Their findings showed that SMEs with robust financial reporting practices experience significant improvements in financial performance and business growth. The study concluded that comprehensive financial reporting systems are crucial for the growth and sustainability of SMEs.

Choi and Park (2021) investigated the impact of financial reporting accuracy on the performance of financial institutions in Seoul, South Korea. Their longitudinal study analyzed annual reports and performance metrics from 100 financial institutions using time-series analysis. The study found that accurate financial reporting is essential for improving financial performance and regulatory compliance. The researchers concluded that maintaining high standards of reporting accuracy is vital for better performance and fewer regulatory issues in financial institutions.

Lastly, Williams and Scott (2023) analyzed the effects of financial reporting practices on performance in the manufacturing sector in Johannesburg, South Africa. Their cross-sectional study included 80 manufacturing firms and employed structural equation modeling to analyze

financial reports and performance data. The findings indicated that effective financial reporting practices are positively associated with enhanced operational performance and profitability. The study concluded that manufacturing firms benefit from adopting rigorous financial reporting practices, leading to better performance and financial stability.

2.2 Theoretical Review

2.2.1 Agency Theory

Agency Theory, originally developed by Jensen and Meckling (1976), remains relevant in modern financial management as it addresses conflicts between managers (agents) and owners (principals). Recent studies by Filatotchev and Nakajima (2023) suggest that these conflicts often stem from differing objectives, where managers may prioritize personal benefits over organizational performance. Agency theory examines the relationship between management (agents) and owners (principals), highlighting conflicts that arise due to misaligned goals. Effective budgeting serves as a control mechanism to ensure managers act in the owners' best interests, aligning operational decisions with financial objectives and enhancing overall performance (Jensen & Meckling, 1976).

In the context of hotels in Lake Region, effective budgeting acts as a key control mechanism to mitigate agency conflicts by setting clear financial targets and performance benchmarks. Budgets provide a structured framework that holds managers accountable for financial outcomes, ensuring their actions align with the owners' goals of profitability and operational efficiency. This alignment fosters better decision-making, resource allocation, and performance monitoring, ultimately enhancing the financial performance of hotels. Additionally, budgeting can reduce information asymmetry, allowing owners to evaluate managerial performance more accurately, thereby reinforcing the agents' commitment to organizational success (Lima et al., 2022).

2.2.2 Audit Expectation Gap Theory

The Audit Expectation Gap Theory, first articulated by Liggio (1974), addresses the divergence between what stakeholders—such as investors, creditors, and management—expect from auditors and the actual scope and responsibilities of auditors during the financial audit process. Stakeholders often expect auditors to detect all forms of fraud and errors, ensure complete accuracy in financial statements, and provide assurances about the future viability of the business, which goes beyond the auditor's actual mandate. This theory addresses the gap between what users of financial statements expect from auditors and what auditors actually deliver. Implementing robust

financial audits in hotels can bridge this gap by enhancing transparency, reliability, and accountability, thereby improving financial performance (Liggio, 1974).

While Agency Theory is useful in highlighting conflicts between managers and owners, it assumes that all agent behaviors are driven by self-interest, often ignoring intrinsic motivation, organizational culture, or ethical considerations that may influence managerial decisions. In the context of classified hotels in the Lake Region, the theory may overly simplify the dynamics between hotel owners and managers, especially in cases where ownership and management are not distinct (e.g., family-owned hotels). Furthermore, the theory tends to focus on control mechanisms like budgeting but does not sufficiently address external influences such as regulatory changes or market volatility that also affect financial performance.

The Audit Expectation Gap Theory primarily addresses the perceptual differences between stakeholders and auditors but does not offer a concrete mechanism to eliminate or reduce the gap. It also assumes that stakeholder expectations are homogeneous and static, which is not the case—different stakeholders may have conflicting or evolving expectations. In the hotel industry, especially in the Lake Region where audit literacy may be low among some stakeholders, the gap may be wider, and efforts to bridge it could require more than just audit quality—such as financial literacy training or policy reforms—which the theory does not address.

In the context of classified hotels in Lake Region, closing this expectation gap through comprehensive financial audits can enhance financial performance by improving transparency, reliability, and accountability. As noted by Bednarek and Pugh (2022), effective financial audits not only verify the accuracy of financial reports but also identify areas for financial improvement and compliance. This enhanced scrutiny can help hotels reduce financial misstatements, foster better decision-making, and strengthen investor and customer trust. Ultimately, robust audit practices align the actual audit outcomes with stakeholder expectations, improving overall performance and competitiveness of the hotels.

2.2.3 Liquidity Preference Theory

Originally proposed by Keynes (1936), Liquidity Preference Theory emphasizes the importance of holding liquid assets to manage uncertainties and unforeseen financial obligations. Recent literature, including studies by Gupta and Wang (2023), supports the theory by highlighting how businesses, including hotels, prioritize liquidity to navigate market volatility and maintain operational stability. This theory, developed by Keynes, suggests that businesses prefer to hold

liquid assets to manage uncertainties and unexpected expenses. Cash flow analysis helps hotels maintain optimal liquidity, ensuring they can meet obligations and invest in opportunities that improve financial performance (Keynes, 1936).

Liquidity Preference Theory emphasizes holding liquid assets as a buffer against uncertainty, but it lacks specificity in guiding how much liquidity is optimal, particularly in sectors like hospitality where cash flow is cyclical. Overemphasis on liquidity might result in underinvestment in growth opportunities, reducing profitability. In the context of classified hotels, prioritizing liquidity without strategic investment planning may hinder expansion and innovation. The theory also overlooks the role of access to credit or financial products that can cushion short-term liquidity gaps without hoarding cash.

For classified hotels in Lake Region, cash flow analysis serves as a crucial tool to uphold this liquidity preference. By providing insights into cash inflows and outflows, cash flow analysis enables hotel managers to forecast future liquidity needs, avoid cash shortfalls, and allocate resources more effectively. This proactive management of cash flow ensures that hotels can cover immediate expenses, capitalize on investment opportunities, and enhance overall financial performance. Maintaining adequate liquidity through cash flow analysis not only safeguards the hotels against financial distress but also positions them for growth and resilience in a competitive market (Patel & Zhao, 2023).

2.2.4 Signaling Theory

Developed by Spence (1973), Signaling Theory posits that firms use financial reports to communicate their financial health, stability, and future prospects to stakeholders, including investors, creditors, and customers. Recent studies, such as those by Lee and Smith (2022), reinforce the importance of high-quality financial reporting as a signal that builds trust, reduces information asymmetry, and enhances a firm's reputation in the market. Signaling theory highlights the importance of financial reports as signals to stakeholders about the financial health and future prospects of the firm. Accurate financial reporting enhances credibility and trust, which can improve performance by attracting investors and customers (Spence, 1973).

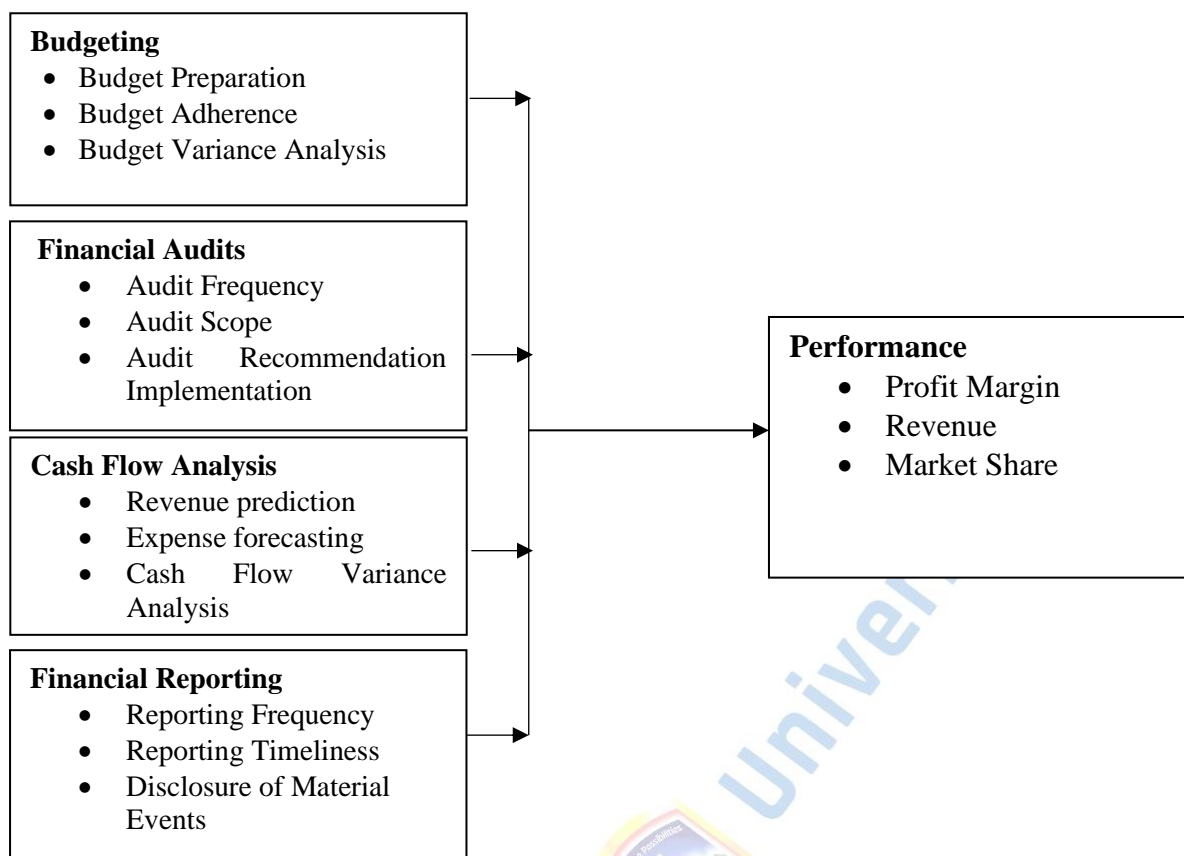
Signaling Theory assumes that stakeholders can correctly interpret financial signals and that firms always act to send positive, truthful signals. However, this assumption may not hold true in all cases. Stakeholders may misinterpret signals due to information overload or low financial literacy, particularly in regions like Lake Region. Moreover, the theory overlooks the possibility of "signal

manipulation," where firms might engage in earnings management or selective disclosure to present a favorable image. This undermines the credibility and effectiveness of financial reports as true performance indicators.

For classified hotels in Lake Region, accurate and transparent financial reporting acts as a vital signal to stakeholders, showcasing the hotel's financial performance, management competence, and growth potential. By consistently delivering clear and reliable financial information, hotels can strengthen their credibility, attract investment, and improve customer confidence, which collectively boost overall performance. Moreover, enhanced financial reporting practices help in strategic decision-making, ensuring that resources are allocated efficiently to drive profitability and operational efficiency (Kim & Chang, 2023). Accurate financial reports thus play a critical role in sustaining competitive advantage in the hospitality industry.

2.3 Conceptual Framework

A conceptual outline is a graphical representation of the link between the variables of a research. This research analysed financial management control in four areas: budgeting, financial audits, financial reporting, and cash flow analysis. The aim is to determine the impact of these aspects on the performance of classified hotels, as shown in Figure 1.



Independent Variables (Financial Management Control) **Dependent Variable**

Figure 1: Conceptual Framework

Source: Researcher (2024)

The conceptual framework depicted in the diagram illustrates the relationship between financial management control mechanisms (independent variables) and the performance of classified hotels in Lake Region (dependent variable). It identifies four key financial management controls: budgeting, financial audits, cash flow analysis, and financial reporting, each contributing to performance aspects like profitability, operational efficiency, and customer satisfaction.

Budgeting involves budget preparation, adherence, and variance analysis. According to Kariuki and Kamau (2018), effective budgeting enhances performance by aligning financial resources with strategic goals, improving decision-making and cost control. Financial Audits encompass audit frequency, scope, and the implementation of recommendations. Nuhu and Bawa (2021) emphasize that regular audits enhance financial performance through improved transparency, compliance, and internal control systems.

Cash Flow Analysis includes revenue prediction, expense forecasting, and variance analysis, which helps manage liquidity and reduce financial risks (Mwangi & Karanja, 2022). Financial

Reporting focuses on reporting frequency, timeliness, and disclosure of material events, which are crucial for maintaining investor confidence and decision-making, as highlighted by Smith and Johnson (2023).

The performance of classified hotels, as depicted in the conceptual framework, is evaluated through several key dimensions, each reflecting the effectiveness of financial management controls. The main performance metrics included are Profitability (Smith & Johnson, 2023), Operational Efficiency (Nuhu & Bawa, 2021) and Customer Satisfaction (Kariuki & Kamau, 2018).

2.5 Recap of literature review

The literature review reveals significant research gaps regarding financial management controls and their impact on the performance of classified hotels in Kenya's Lake Region. Most existing studies focus on Nairobi, Mombasa, or other sectors such as SMEs, banks, and manufacturing, leaving the hospitality industry underexplored. Budgeting studies lack sector-specific and region-specific insights, while the role of technology and human factors in budgeting remains insufficiently studied. Similarly, research on financial audits often emphasizes external audits in public institutions, neglecting internal audit practices in classified hotels. For cash flow analysis, existing literature largely overlooks the seasonal and operational complexities unique to hotels. Additionally, financial reporting studies prioritize other industries, with limited attention to hotel-specific performance indicators like guest satisfaction and service quality. Overall, the review underscores the need for contextualized, sector-focused research that addresses the distinct financial dynamics of classified hotels in the Lake Region to inform more effective financial management strategies.

2.5 Research Gaps

The review of empirical studies on budgeting and performance highlights several research gaps relevant to classified hotels in Western Kenya. First, most existing studies, such as those by Kariuki and Kamau (2018) and Juma and Ngugi (2022), are focused on Nairobi and Mombasa, leaving out Lake Region, which has distinct economic and operational characteristics that may influence budgeting practices differently. Secondly, while studies like those by Orobia et al. (2020) and Obara and Muraleetharan (2019) primarily focus on SMEs and banks, there is limited research on budgeting in the hospitality sector, particularly classified hotels, highlighting a sector-specific gap. Additionally, Lusimbo and Muturi (2016) identified the need for more granular insights into

specific budgeting practices, which are not sufficiently covered in broader financial management studies. Furthermore, the role of technological integration in budgeting, as noted by Juma and Ngugi (2022), remains underexplored, along with the human factors influencing budgeting implementation, calling for more nuanced, region-specific research.

The review of empirical studies on the influence of financial audits on performance reveals several research gaps relevant to classified hotels in Lake Region. Most studies, such as those by Nuhu and Bawa (2021) and Mahmood and Ali (2021), focus on SMEs and manufacturing firms, overlooking the hospitality sector, particularly classified hotels, which have unique operational and financial dynamics that may influence the impact of audits differently. Furthermore, studies in Kenya, including those by Kariuki and Kamau (2020) and Muthoni and Mwangi (2020), primarily examine public sector institutions and county governments, neglecting the private sector, especially hotels in Lake Region, which may have distinct auditing needs and challenges. Additionally, the emphasis on external audits in research by Al-Thuneibat and Al-Fayoumi (2019) points to a gap in understanding the specific role of internal audits in classified hotels, where internal controls are crucial for performance. Finally, Ochieng and Simiyu (2022) highlight the need for more in-depth analysis of the quality and effectiveness of audits, a factor that remains underexplored in the context of the hotel industry in Lake Region.

The review of empirical studies on the influence of cash flow analysis on performance reveals several research gaps pertinent to classified hotels in Lake Region. First, most studies, such as those by Ahmed and Kungu (2023) and Mwangi and Karanja (2022), focus on SMEs and manufacturing firms, overlooking the hospitality sector, which faces unique cash flow challenges due to its seasonality and customer payment behaviors. Although Kariuki and Muturi (2020) highlight the significance of cash flow analysis in agricultural firms, there is limited exploration of how cash flow practices specifically affect classified hotels in Lake Region, a sector that operates under different financial dynamics. Additionally, studies like Osei and Mensah (2021) and Ali and Hussain (2022) emphasize the importance of cash flow management in listed companies and retail businesses, respectively, without considering the context of classified hotels, where cash flow volatility is often higher and requires tailored financial management strategies. Furthermore, the influence of cash flow analysis on operational decision-making in hotels remains underexplored, with most existing research focusing on profitability and liquidity rather than operational impacts. Lastly, research by Hassan and Ahmed (2023) in the hospitality sector of Dubai, while relevant, does not directly address the unique challenges faced by classified hotels in

Lake Region, such as limited access to financial management tools and training. This highlights a gap in understanding the localized impact of cash flow analysis on hotel performance in this specific region, underscoring the need for targeted studies to address these contextual differences.

The review of empirical studies on financial reporting reveals several research gaps regarding classified hotels in Lake Region. Existing studies mainly focus on sectors like technology, healthcare, and manufacturing (Smith & Johnson, 2023; Zhou & Li, 2022; Johnson & Kumar, 2021), with little attention to the hospitality industry, where financial reporting influences factors like pricing, inventory management, and guest satisfaction. The unique operational challenges of classified hotels, such as irregular cash flows and seasonality, are often overlooked. Moreover, while existing research highlights the role of financial reporting in enhancing decision-making and compliance (Brown & Davis, 2022; Choi & Park, 2021), there is insufficient exploration of its impact on performance metrics specific to hotels, such as service quality and customer retention. This indicates a need for targeted studies on how localized factors and financial reporting practices influence the performance of classified hotels in Lake Region.



Mount Kenya

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The current chapter provides a comprehensive analysis of many elements of the research project, including the study design, target population, sample size, sampling processes, data collecting instruments, data processing methodologies, and fundamental assumptions of the multiple regression model.

3.1 Research Methodology

The research used a quantitative empirical methodology. The quantitative research technique is a methodical and organized strategy that utilised numerical data and statistical analysis to address research inquiries and provide well-informed findings. Although providing objectivity, accuracy, and generalizability, it is also subject to constraints such as a possible deficiency in depth and adaptability.

3.2 Research Design

The research used a correlational analytical design. This study strategy aims to establish correlations between two or more variables without the researcher exerting control or manipulation over any of them. Tan (2014) defines correlational research as the investigation of whether two variables exhibit simultaneous changes. A design analysis investigates the direction of a correlation between variables, which may be either positive or negative (Tan, 2014). The chosen design is appropriate for this study as it facilitated the researcher in collecting data and formulating findings on the relationship between financial management control and the performance of hotel establishments.

3.3 Location of the Study

The research was carried out in the Lake Victoria Region in Western Kenya, including Kisumu, Homa Bay, Migori, and Kisii, counties. The research focused on 15 hotels in Lake Region that are categorized by the Tourism Regulatory Authority (TRA or 2023). The tourist potential of classified hotels in Lake Region remained untapped. The southern region of the country is primarily characterized by the abundance of forests and habitats for wildlife. This region is endowed with a

plethora of cultural landmarks, breathtaking scenery, and a high-altitude climate that is well-suited for outdoor pursuits. Nairobi is mostly known for its commercial and conference facilities, while the coastal area is particularly renowned for its beaches.

3.4 Target Population

The target population of a study, as defined by Kothari (2009), refers to the collective group of individuals, events, or other things that the researcher aims to apply their results to (Kothari, 2009). The population for the research consisted of the 15 hotels in Kenya Lake Region that have been awarded a star rating by the Tourism Regulatory Authority (Appendix III). The focus of investigation was on classified hotels, over which management would provide relevant information. This included financial managers, Internal auditors, accountants and Operations Managers as shown in Table 1.

Table 1: Target Population

Population Unit	Target Population
Financial Managers	15
Accountants	15
Operations Managers	15
Internal Auditors	15
Total	60

Source: Human Resource Department of Individual Hotel (2024)

3.5 Sampling Procedures and Techniques

The research used the entire population as sample hence the sample size was 60. It was a census study which is a kind of non-probability sampling method. An exhaustive census survey encompasses every person or unit in the whole population, without any element of chance or probability in the sample selection process. The objective of a census research is to gather data from the whole population rather than a limited sample, therefore rendering it non-probabilistic in character.

3.6 Construction of Research instruments

The primary method of data gathering for documenting budgeting, financial audits, cashflow analysis, and financial reporting was a questionnaire. Data was collected from respondents via the administration of a questionnaire. The survey questions were closed-ended, allowing respondents to choose from answer alternatives listed as "strongly disagree," "disagree," "fairly agree," "agree," and "strongly agree" on a 5-point Likert scale. Kothari (2004) asserts that questionnaires are used to collect fundamental descriptive data from a substantial sample at the same time. Given their simplicity of answer, analytical viability, and data gathering speed, closed-ended questions were the preferable choice in this research. These questions also enhance the development of consistency in responses among the participants. The questionnaire had numerous parts that examined individual aspects of the research.

3.7 Testing for Validity and Reliability

Preliminary inquiry was carried out at two designated hotels located in the North Rift region, which is adjacent to the research location. The pilot research focused on a sample of 6 people, representing 10% of the overall responding population (60) who were not part of the sampling procedure (Mugenda & Mugenda, 2008). After carefully examining the answers and the participants who provided them, the research continued to make any required adjustments. Analysis of the pilot study was valuable for refining the research instrument and verifying the alignment of the questionnaire's questions with the study's goals. Analysis of pilot data was also used to prove the validity and reliability of the instrument as a research tool.

3.7.1 Reliability Test

The extent to which results stay consistent over time is referred to as reliability. Cronbach's Alpha, a correlation coefficient, was included in the study to assess the reliability of the questionnaire. George and Mallery (2003) proposed that a Cronbach Alpha value of 0.7 or above is considered acceptable for assessing dependability. Thus, the study determined Cronbach alpha values for all variables, including performance, budgeting, financial audits, cashflow analysis, and financial reporting. If the Cronbach alpha exceeds 0.7, the study concluded that the instruments are reliable and data collecting and analysis can therefore continue. The reliability of the research instrument was assessed using an internal consistency metric. The results of the reliability test are shown in table 2.

Table 2: Reliability Test

Variable	Number of Items	Cronbach alpha
Budgeting	6	0.937
Financial Audits	6	0.906
Cash Flow Analysis	6	0.957
Financial Reporting	6	0.958
Performance	6	0.864
Average	30	0.924

The results, as shown in table 4, demonstrate that all variables had Cronbach alpha coefficients more than 0.7, with the lowest being 0.864 and the highest being 0.958. This aligns with the findings of Kendell and Jablensky (2003), and the total Cronbach alpha value was 0.924. The items utilised to assess the research components were found to be reliable and suitable for further analysis on a 5-point scale, according to our study.

3.7.2 Validity Test

A comprehensive evaluation of content validity was conducted by the researcher in collaboration with the supervisors to ascertain the reliability of the test instruments. This study assessed the content validity of the research tools. To establish content validity, all elements of the research questionnaire were thoroughly reviewed to verify the clarity of language, correctness of each statement, meaningfulness, and appropriate content in relation to the independent and dependent variables.

3.8 Data collection Methods and Procedures

Mugenda and Mugenda (1999) assert that questionnaires provide a comprehensive elucidation of intricate matters. As a result of their simplicity and affordability, questionnaires are often used in deductive research. The first step was obtaining authorization to conduct the research from Mount Kenya University. Thereafter, a permit from NACOSTI was obtained. Furthermore, the researcher proceeded to visit classified hotels located in the lake region area with the purpose of gathering their data. An advance notice requesting authorization from the relevant department head was sent fourteen days before the designated day for data collection. Sampled respondents were identified

and thereafter self-administered questionnaires was issued. Supervised by the researchers, individuals independently completed questionnaires to provide information. A "drop and pick" methodology was used throughout the data collecting process. A checklist was maintained to guarantee timely collection of the distributed surveys for data analysis.

3. 9 Data analysis Techniques and Procedures

Data analysis is the systematic investigation, refinement, modification, and modelling of data to extract meaningful information, draw conclusions, and support decision-making (Bhatta, 2013). First, the data collected in this study was systematically organised, structured into tables, and classified. A thorough analysis was conducted on the collected raw data to detect and correct any errors or omissions. An exhaustive analysis of the completed questionnaires was conducted. The data was analysed using version 26 of the SPSS statistical programming suite. Quantitative data, mathematical models, and visual depictions were provided. A data analysis was carried out in compliance with the established objectives.

3.9.1 Descriptive statistics

Descriptive statistics often serve to depict the pattern shown by the underlying data. The researcher used descriptive statistics to determine measures of central tendency (mean) and variability (standard deviation, maximum, and lowest) in the data. In order to properly summarise the data obtained, this research used descriptive statistics to generate indices and measures. Tables and charts were used to display the data graphically.

3.9.2 Inferential statistics

In order to test the null and alternative hypotheses, the study used inferential statistics, namely regression analysis and correlation analysis. Greenland, Senn, Poole, and Altman (2016) advised doing the statistical analyses at a significance level of 5%. At a significance level of 0.05 (equal to a 95% level of confidence), a correlation research was carried out to measure the correlation. To examine how changes in the dependent variable were affected by changes in the independent variables, a Multiple Regression analysis was used. The calculation of the coefficient of determination allowed one to evaluate the effectiveness of the regression model. The coefficient indicates how much the dependent variable's variability can be explained by the predictor variable. For the multiple regression analysis, the following statistical formula was utilised;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where γ = Dependent variable [Performance]

α = Constant; the y intercept or the average response when both predictor variables are Zero (0)

X_1 = Independent variable 1 [Budgeting]

X_2 = Independent variable 2 [Financial Audits]

X_3 = Independent variable 3 [Cashflow Analysis]

X_4 = Independent variable 4 [Financial Reporting]

ϵ = error term

$\beta_1 \dots \beta_4$ = Beta Coefficients

3.10 Ethical Considerations

Appropriate reference letters were requested from the School of Postgraduate Studies at Mount Kenya University. Furthermore, apart from acquiring a certificate of ethical clearance from the Mount Kenya University Ethics Review Committee, the researcher needed to get study approval from NACOSTI. Prior to initiating the investigation, it was essential to get permission from the management of the 15 designated hotels in issue. Prior to distributing the questionnaires, the researcher verified that the persons being surveyed have given informed permission. Strict confidentiality was maintained throughout the administration of all surveys to respondents, guaranteeing that the identity of the participants was not revealed. The sample population was selected without any kind of compulsion, therefore guaranteeing the free involvement of all participants in the data collecting process. All data obtained throughout the inquiry was presented by the researcher with utmost objectivity.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

Analysis of data, presentation, interpretation, and discussion are all covered in this chapter. The study's overarching goal was to look at how financial management control affects the performance of classified hotels in Lake Region. The results are presented as per specific study objectives.

4.2 Data Collection Process and Response Rate

The rate of response was determined as follows: 78.3% (47/60) of those to whom questionnaires were delivered completed and returned them. There was no irrational gaps in the data with a greater response rate. It's preferable to get a high response rate (> 70%) from a small assigned sample than a low response rate from a big one (Lindemann, 2019).

Table 3: Questionnaire Response Rate

Number of Questionnaires issued	No. Returned	% of Questionnaires returned
60	47	78.3

Source: Field data, 2024

4.2.1 Data Preparation and Cleaning

The data was vetted and cleansed once it was obtained so that it could be analyzed. This had to be done so that the integrity of the subsequent statistical analysis would not be compromised. This included making sure the information was true, comprehensive, accurate, and consistent so that there wouldn't be any need for more work later on.

4.2.2 Visual and Range Checks

In order to identify whether there were any typos or absences of data, a thorough visual inspection of the database was performed. In the social sciences, missing data is a prevalent problem (Allison, 2002; Johnson & Young, 2011). The study also checked the data for erroneous or unexpected numbers by looking for patterns and comparing ranges. There were no glaring omissions or mistakes in any of the replies that prompt further investigation.

4.3 General information of the Respondents

This section describes background of the study population based on the data collected and analyzed. Every target population usually has its own characteristics. It was believed that the respondents' demographic information was particularly important for the results' validity and generalisability, as well as for future discussions of the findings. Gender, education level, and years of experience are some of the demographic variables examined in this portion of the survey.

Table 4: General information of the Respondents

		Frequency	Valid %
Gender	Male	32	68.1
	Female	15	31.9
	Total	47	100
Age	25-34 years	8	17
	35-44 years	15	31.9
	45-54 years	18	38.3
	Above 54 years	6	12.8
	Total	47	100
Level of Education	A-level	6	12.8
	College Diploma/Certificate	15	31.9
	Bachelor's Degree	19	40.4
	Post graduate	7	14.9
	Total	47	100
How long have you worked for the hotel	Less than a year	0	0
	From 1 to 5 years	7	14.9
	From 6 to 10 years	28	59.6
	Above 10 years	12	25.5
	Total	47	100

From the 5, the gender distribution shows that 68.1% of the respondents are male, while 31.9% are female. This gender distribution may reflect the composition of management positions within classified hotels in the Lake Region, suggesting that men may hold a majority of these roles. This gender imbalance could influence perspectives on financial management practices, potentially indicating differing approaches to decision-making and control processes within the industry.

In terms of age, respondents are fairly evenly distributed across various age groups, with most respondents between the ages of 35 and 54. Specifically, 31.9% of the respondents are aged 35-44, while 38.3% are aged 45-54, making up a majority of the sample. This concentration of respondents in mid-to-late career stages implies that many of them have considerable professional experience. The depth of experience among respondents within this age bracket may mean that they have witnessed the evolution of financial management practices within their hotels and possess valuable insights into how these practices influence performance.

Regarding education, most respondents hold a college diploma or higher qualification. With 40.4% of respondents holding a bachelor's degree and 14.9% possessing a postgraduate qualification, it is evident that a significant portion of the sample is well-educated. This level of educational attainment likely provides respondents with a strong foundation in financial management principles, which is essential for implementing and assessing financial controls. Higher education levels often correlate with exposure to advanced financial techniques and concepts, which can positively impact the understanding and application of financial management practices within the hotel sector.

The data on respondents' length of service within their hotels further strengthens the insights provided. Most respondents (59.6%) have worked in their hotels for 6-10 years, with an additional 25.5% having more than 10 years of experience. This substantial length of tenure suggests that respondents are not only familiar with their hotels' financial processes but also have significant knowledge of how financial controls impact hotel performance over time. Their long-term involvement in the same organization means that they can provide well-informed and reliable insights into the effectiveness of financial management practices and any observed impacts on hotel operations.

4.5 Budgeting and Performance of classified hotels in Lake Region

The first objective was to determine the influence of budgeting on performance of classified hotels in Lake Region. Descriptive and inferential statistics results on the budgeting and Performance of classified hotels in Lake Region.

4.5.1 Descriptive Statistics of Budgeting and Performance of classified hotels in Lake Region

The study sought to establish minimum, maximum, mean and standard deviation of budgeting in a scale of 1 to 5. The results are as shown in Table 5.

Table 5: Descriptive Statistics of Budgeting

1=strongly disagree, 2-Disagree, 3-Fairly agree, 4-Agree, 5-Strongly agree

Budgeting	N	Min	Max	Mean	Std Dev.
Our hotel management invests sufficient time and effort in preparing the annual budget.	47	1	5	3.94	1.187
The study involve all departments and relevant personnel in the budget preparation process.	47	1	5	3.34	1.128
Our hotel consistently follows the approved budget throughout the financial period.	47	1	5	3.64	1.206
Deviations from the budget are closely monitored and corrective actions are promptly implemented.	47	1	5	3.87	1.076
Our hotel regularly conducts budget variance analysis to compare actual performance against budgeted targets.	47	1	5	3.64	1.241
Budget variance reports are used to identify areas where cost control and revenue generation need improvement.	47	1	5	3.66	1.238
Average Score				3.68	

Source: Field data, 2024

The descriptive statistics for budgeting practices in hotels, shown in Table 5, provide a detailed look at how different aspects of budgeting are perceived by respondents. Each statement reflects a specific budgeting practice rated on a five-point Likert scale from "strongly disagree" to "strongly agree." The first statement, "Our hotel management invests sufficient time and effort in preparing the annual budget," received the highest mean score of 3.94 with a standard deviation of 1.187. This indicates that respondents generally agree that substantial time and effort go into budget preparation, reflecting a commitment to detailed financial planning. The standard deviation, however, shows some variability, suggesting that while some hotels may prioritize budgeting significantly, others may invest less, potentially impacting the thoroughness and accuracy of their budget projections.

For the statement "The study involve all departments and relevant personnel in the budget preparation process," the mean score of 3.34 and standard deviation of 1.128 imply a moderate level of agreement. This score, the lowest among the statements, points to a potential gap in inclusivity, with some hotels possibly limiting department-level involvement in budget creation. Such limited input from various departments could reduce the budget's accuracy and relevance, as

diverse departmental insights are crucial for realistic financial planning and aligning budgetary goals with operational needs.

The statement "Our hotel consistently follows the approved budget throughout the financial period" has a mean score of 3.64 with a standard deviation of 1.206, indicating general agreement with some variability. This score suggests that most respondents believe their hotels generally adhere to the set budget, underscoring the importance placed on budget discipline. However, the variability suggests that some hotels may experience challenges in strictly following the approved budget, potentially due to unforeseen expenses or operational shifts that require flexibility.

For "Deviations from the budget are closely monitored and corrective actions are promptly implemented," the mean score is 3.87 with a relatively lower standard deviation of 1.076, indicating strong agreement with less variability. This response suggests that budgetary deviations are generally well-monitored and corrective actions are prioritized, reflecting a proactive approach in managing variances. Such monitoring practices are essential for financial control, as they allow hotels to address issues promptly and maintain alignment with financial targets.

The statement "Our hotel regularly conducts budget variance analysis to compare actual performance against budgeted targets" received a mean score of 3.64 and a standard deviation of 1.241, indicating moderate agreement but with considerable variability. This suggests that variance analysis is a fairly common practice, though it may not be uniformly applied across hotels. Regular budget variance analysis is crucial for performance tracking, enabling management to identify areas of concern and make data-driven adjustments to optimize resource use and financial performance.

Finally, "Budget variance reports are used to identify areas where cost control and revenue generation need improvement" has a mean score of 3.66 and a standard deviation of 1.238, indicating moderate agreement with some variation. This score suggests that while budget variance reports are used for performance improvement, they may not be consistently applied across all hotels. Utilizing these reports effectively can provide valuable insights into cost control measures and potential revenue opportunities, directly supporting strategic financial planning.

Overall, the average score of 3.68 suggests a generally positive perception of budgeting practices in hotels, with a commitment to budget preparation, monitoring, and analysis. However, the variability in responses highlights areas for improvement, particularly in involving all departments in the budgeting process and ensuring consistent application of variance analysis and reporting

practices across hotels. Standardizing these practices could enhance budget accuracy, improve financial control, and lead to better financial outcomes for hotels.

4.5.2 Inferential Statistics of Budgeting on Performance of classified hotels in Lake Region

Simple linear regression analysis was conducted to evaluate influence of budgeting on performance of classified hotels in Lake Region. The results are as shown in Table 6.

Table 6: Regression Results of Budgeting on Performance of classified hotels in Lake Region

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change in R Square	F Change	df1	df2	Sig. Change	F Change
1	.559 ^a	.312	.297	.73573153	.312	20.441	1	45	.000	
a. Predictors: (Constant), budgeting										
ANOVA ^a										
Model		Sum of Squares	Df	Mean Square	F	Sig.				
1	Regression	11.065	1	11.065	20.441	.000 ^b				
	Residual	24.359	45	.541						
	Total	35.423	46							
a. Dependent Variable: performance of classified hotels in Lake Region										
b. Predictors: (Constant), budgeting										
Coefficients ^a										
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.				
1	(Constant)	1.962	.397		4.948	.000				
	Budgeting	.469	.104	.559	4.521	.000				
a. Dependent Variable: performance of classified hotels in Lake Region										

Source: Field data, 2024

The results illustrated that there was a statistically significant positive relationship between budgeting and performance of classified hotels in Lake Region as indicated by R=0.599. Budgeting accounted for 31.2% ($R^2 = 0.312$) variations in the performance of classified hotels in Lake Region. Therefore, budgeting is a significant predictor of performance of classified hotels in Lake Region.

The findings are shown in Table 6, which illustrate the regression results obtained by regressing the budgeting factors with the mean of performance of classed hotels in Lake Region. The results demonstrate that categorised hotels in the Lake Region were positively impacted by budgeting, with a linear and statistically significant influence (p-value is less than 0.05) on their performance (regression coefficient, B=0.469, ANOVA, F=20.411 and t-test value, t=4.521). The following model represents the findings:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where Y= performance of classified hotels in Lake Region,

$$\beta_0=1.962 \text{ (constant)}$$

$$\beta_1= 0.469$$

$$X_1= \text{Budgeting}$$

Replacing in the equation above, the model becomes: $Y=1.962 + 0.469X_1$

The above equation shows that the constant's coefficient is 1.962 ($p=0.000$), which means that categorised hotels in the Lake Region will have a performance of 1.962 even when budgeting is not in place. There will be a substantial difference in the performance of classed hotels in the Lake Region ($P<0.05$). Budgeting, in contrast, had a beta value of 0.469. This implies when everything is held constant, a unit increase in the rating of budgeting would results to a significant increase in performance of classified hotels in Lake Region by 0.469 units This implied that budgeting has significant influence on performance of classified hotels in Lake Region.

4.6 Influence of financial audits on Performance of classified hotels in Lake Region

The second objective of the study was to determine the influence of financial audits on performance of classified hotels in Lake Region. This was achieved through linear regression as follows.

4.6.1 Descriptive Statistics of financial audits on Performance of classified hotels in Lake Region

The unobservable latent variable of financial audits was evaluated using six observable variables. Table 7 displays descriptive statistics, which include medians, modes, and ranges.

Table 7: Descriptive Statistics of financial audits on Performance of classified hotels in Lake Region

Financial Audits	N	Min	Max	Mean	Standard Dev.
Our hotel conducts financial audits frequently to ensure financial accuracy and compliance.	47	1	5	3.62	1.261
Increased frequency of audits helps in early detection and correction of financial discrepancies.	47	1	5	3.53	1.266
The scope of our financial audits covers all critical areas, including revenues, expenditures, and internal controls.	47	1	5	3.53	1.120
Comprehensive audit coverage in our hotel ensures that all financial risks are identified and managed effectively.	47	1	5	3.45	1.080

Our hotel effectively implements the recommendations provided by auditors after each financial audit.	47	1	5	3.79	1.178
There is a structured process in place for monitoring the implementation of audit recommendations in our hotel.	47	1	5	3.70	1.250
Average Score				3.6	

Source: Field data, 2024

The descriptive statistics in Table 7 provide insights into the financial audit practices of classified hotels in Kenya's Lake Region, revealing general agreement on the effectiveness of audits but with some variations across practices. Respondents generally agree that audits are conducted frequently to ensure financial accuracy and compliance, reflected in a mean score of 3.62; however, a standard deviation of 1.261 indicates variability, suggesting that while some hotels conduct audits regularly, others may face challenges in maintaining audit frequency, potentially due to resource constraints or differing prioritization.

The perception that increased audit frequency aids in the early detection and correction of discrepancies received a moderate agreement, with a mean of 3.53. The standard deviation of 1.266 here highlights that some respondents may not fully experience this benefit, possibly due to differences in the scope or follow-through of audit practices. Additionally, the comprehensive scope of audits covering critical areas like revenues, expenditures, and internal controls scored a mean of 3.53 with a standard deviation of 1.120, suggesting moderate agreement but indicating that not all hotels may consistently audit all critical areas, which could impact the thoroughness of financial oversight.

Regarding the effectiveness of audit coverage in identifying and managing financial risks, respondents expressed lower agreement (mean = 3.45), with variability in responses (standard deviation = 1.080). This suggests that some respondents may perceive gaps in risk identification, possibly due to limitations in audit scope or incomplete implementation of audit recommendations. Interestingly, the implementation of audit recommendations received higher agreement (mean = 3.79), indicating that most hotels take action on audit feedback to improve financial practices, though some variability (std dev. = 1.178) suggests certain hotels may not fully leverage these recommendations due to operational challenges. Lastly, there was general agreement (mean = 3.70) on the existence of a structured process for monitoring the implementation of audit

recommendations, although a standard deviation of 1.250 suggests that while some hotels have effective tracking systems in place, others may lack consistency in monitoring practices.

Overall, the average mean score of 3.6 indicates a positive perception of financial audit practices, suggesting that audits play a valuable role in maintaining financial accuracy, compliance, and risk management. However, the variability across responses highlights areas for improvement, such as expanding audit coverage, increasing audit frequency, and ensuring consistent monitoring of recommendations to enhance the effectiveness of audit practices in these hotels. Standardizing audit procedures could help ensure more consistent financial oversight and potentially improve financial performance across hotels in the region.

4.6.2 Inferential Statistics of financial audits and Performance of classified hotels in Lake Region

Table 8: Regression Results of financial audits and performance of classified hotels in Lake Region

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.624 ^a	.390	.376	.6931666	.390	28.725	1	45	.000
a. Predictors: (Constant), financial audits									
ANOVA^a									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
	Regression	13.802	1	13.802	28.725	.000 ^b			
1	Residual	21.622	45	.480					
	Total	35.423	46						
a. Dependent Variable: performance of classified hotels in Lake Region									
b. Predictors: (Constant), financial audits									
Coefficients^a									
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.			
	(Constant)	1.726	.380		4.544	.000			
1	financial audits	.545	.102	.624	5.360	.000			
a. Dependent Variable: performance of classified hotels in Lake Region									

Source: Field data, 2024

The results demonstrated that there was a statistically significant positive relationship between financial audits and performance of classified hotels in Lake Region (R=0.624). financial audits

accounted for 39.0% ($R^2 = 0.390$) variations in the performance of classified hotels in Lake Region. Hence, financial audits are a significant predictor of performance of classified hotels in Lake Region.

Table 8 displays the outcomes of a regression analysis between the latent variables of strategy alignment and performance of classified hotels in Lake Region. Results show that financial audits had a positive, linear and significant (p-value is less than 0.05) effect on the performance of classified hotels in Lake Region {regression coefficient, $B=0.545$, ANOVA, $F=28.725$ and t-test value, $t=5.360$ }. The results are represented in the following model:

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon$$

Where Y = performance of classified hotels in Lake Region,

$$\beta_0 = 1.726 \text{ (constant)}$$

$$\beta_2 = 0.545$$

$$X_2 = \text{financial audits}$$

By inserting the data into the previous equation, The study get the following model: $Y = 1.726 + 0.545X_2$. This model's constant has a coefficient of 1.726 and a p-value of 0.000, which means that categorised hotels in the Lake Region would have a good performance even without financial audits. Classified hotels in the Lake Region would have a significant performance ($P < 0.05$). A beta coefficient of 0.545 and a p-value of 0.000 were also found in financial audits. This means that classed hotels in the Lake Region would have a substantial performance boost of 54.5% with a unit rise in financial audits, everything else being equal.

4.7 Influence of Cash flow analysis on Performance of classified hotels in Lake Region

The third objective of the study was to establish the influence of cash flow analysis on performance of classified hotels in Lake Region. The achievement was accomplished through the examination of descriptive data, which provided a summary of the variables that are observable employed to measure cash flow analysis. In addition, inferential analysis, primarily simple linear regression, was employed to determine the direct impact of cash flow analysis on performance of classified hotels in Lake Region.

4.7.2 Descriptive Statistics of Cash flow analysis on Performance of classified hotels in Lake Region

Six identifiable variables that assessed cash flow analysis were included in the descriptive findings, including minimum, maximum, mean, and standard deviations.

Table 9: Descriptive Statistics of Cash flow analysis on Performance of classified hotels in Lake Region

Cash flow analysis	N	Min	Max	Mean	Standard Dev.
Accurate revenue prediction helps our hotel to maintain adequate cash reserves for operational needs	47	1	5	3.47	.975
Effective revenue prediction enables our hotel to anticipate cash flow shortages and take corrective actions	47	1	5	3.55	1.017
Our hotel regularly updates expense forecasts to reflect changing market conditions and operational needs.	47	1	5	3.64	1.051
Accurate expense forecasting allows our hotel to allocate resources efficiently, enhancing overall performance.	47	1	5	3.81	1.035
Regular cash flow variance analysis helps our hotel identify discrepancies between projected and actual cash flows.	47	1	5	3.81	.992
Cash flow variance analysis in our hotel leads to better financial decision-making and corrective actions.	47	1	5	3.87	.969
Average Score				3.69	

Source: Field data, 2024

The descriptive statistics in Table 9 provide insights into cash flow analysis practices among classified hotels in Kenya's Lake Region, assessed on a five-point Likert scale from "strongly disagree" to "strongly agree." The responses reflect how hotels use cash flow analysis for financial planning, resource allocation, and decision-making. The statement "Accurate revenue prediction helps our hotel to maintain adequate cash reserves for operational needs" has a mean score of 3.47 and a standard deviation of 0.975. This score indicates moderate agreement, suggesting that respondents recognize the importance of accurate revenue prediction in maintaining cash reserves but may face challenges in achieving consistent accuracy. The relatively low standard deviation suggests agreement among respondents, but the moderate mean score may indicate potential gaps in revenue prediction practices, which could impact cash flow stability.

The statement "Effective revenue prediction enables our hotel to anticipate cash flow shortages and take corrective actions" received a slightly higher mean score of 3.55, with a standard deviation of 1.017. This suggests that respondents moderately agree that revenue prediction aids in anticipating cash flow issues, allowing for corrective measures. However, the standard deviation reflects some variability, indicating that while many hotels experience these benefits, others may struggle with implementing corrective actions based on revenue predictions.

For "Our hotel regularly updates expense forecasts to reflect changing market conditions and operational needs," the mean score of 3.64 with a standard deviation of 1.051 implies general agreement. Respondents seem to acknowledge that updating expense forecasts is essential in adapting to market fluctuations. The standard deviation shows some variation, suggesting that while updating expense forecasts is a common practice, certain hotels may not be as consistent in reflecting real-time changes, potentially affecting cost management.

The statement "Accurate expense forecasting allows our hotel to allocate resources efficiently, enhancing overall performance" has a mean of 3.81 and a standard deviation of 1.035, indicating a higher level of agreement. This response suggests that most respondents view accurate expense forecasting as instrumental in resource allocation and improving performance, as it supports precise budgeting and spending. However, the standard deviation indicates that some hotels may face challenges in consistently achieving accurate forecasts, which could limit efficiency in resource allocation.

"Regular cash flow variance analysis helps our hotel identify discrepancies between projected and actual cash flows" also scored a mean of 3.81, with a slightly lower standard deviation of 0.992, indicating that respondents generally agree with this statement and exhibit a strong consensus. This score highlights that regular variance analysis is valued for identifying cash flow discrepancies, which can inform corrective actions and improve cash management.

Lastly, "Cash flow variance analysis in our hotel leads to better financial decision-making and corrective actions" received the highest mean score of 3.87 with a standard deviation of 0.969. This high score reflects a strong belief among respondents that cash flow variance analysis is a critical tool for financial decision-making, enabling more informed and proactive adjustments. The relatively low standard deviation suggests widespread agreement across hotels on the importance of this practice.

The overall average score of 3.69 indicates a generally positive perception of cash flow analysis practices among these hotels, with a particular emphasis on the benefits of variance analysis and expense forecasting for enhancing performance. However, moderate agreement in areas like revenue prediction and expense updates suggests that some hotels may benefit from improving consistency in these practices, which could further strengthen financial decision-making and cash management.

4.7.2 Inferential Statistics of Cash flow analysis and Performance of classified hotels in Lake Region

Table 10: Regression Results of Cash flow analysis and Performance of classified hotels in Lake Region

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.585 ^a	.342	.327	.719659145117796	.342	23.396	1	45	.000
a. Predictors: (Constant), Cash flow analysis									
ANOVA^a									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
	Regression	12.117	1	12.117	23.396	.000 ^b			
1	Residual	23.306	45	.518					
	Total	35.423	46						
a. Dependent Variable: performance of classified hotels in Lake Region									
b. Predictors: (Constant), Cash flow analysis									
Coefficients^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
	(Constant)	1.572	.450		3.495	.001			
1	Cash flow analysis	.573	.118	.585	4.837	.000			
a. Dependent Variable: performance of classified hotels in Lake Region									

Source: Field data, 2024

The results demonstrated that there was a statistically significant positive relationship between cash flow analysis and performance of classified hotels in Lake Region ($R=0.585$). Cash flow analysis accounted for 34.2% ($R^2 = 0.342$) variations in the performance of classified hotels in Lake Region. Therefore, cash flow analysis is a significant predictor of performance of classified hotels in Lake Region.

Table 10 displays the results of a regression analysis that included the latent variables of cash flow analysis and performance of categorised hotels in the Lake Region. Based on the results of the regression coefficient ($B=0.573$), analysis of variance (ANOVA) ($F=23.396$), and t-test ($t=4.837$), it can be concluded that cash flow analysis was positively associated with the performance of categorised hotels in the Lake Region (p-value is less than 0.05). The following model represents the findings:

$$Y = \beta_0 + \beta_3 X_3 + \varepsilon$$

Where Y= performance of classified hotels in Lake Region,

$$\beta_0 = 1.572(\text{constant})$$

$$\beta_3 = 0.573$$

$$X_3 = \text{Cash flow analysis}$$

By inputting the numbers into the equation given above, the model is transformed into: $Y = 1.572 + 0.573X_3 + \varepsilon$.

Without cash flow analysis, the performance of categorised hotels in the Lake Region would be 1.572, according to the aforementioned model, which has a constant with a coefficient of 1.572 and a p-value of 0.000. The categorised hotels in the Lake Region would have a significant performance ($P < 0.05$). In addition, the beta coefficient for cash flow analysis was 0.573, with a p-value of 0.000. This means that, all else being equal, categorised hotels in the Lake Region would have a performance boost of 0.573 units for every unit rise in the cash flow analysis.

4.8 Influence of financial Reporting on performance of classified hotels in Lake Region.

The fourth objective was to assess the influence of financial reporting on performance of classified hotels in Lake Region. The objective was achieved by conducting descriptive and inferential analysis

4.8.1 Descriptive Statistics of Financial reporting

The descriptive data included six identifiable variables that were used to assess financial reporting. These variables were minimum, maximum, mean, and standard deviation. The findings may be seen in Table 11.

Table 11: Descriptive Statistics of Financial reporting

Financial Reporting	N	Min	Max	Mean	Standard Dev.
The frequency of financial reporting in our hotel provides sufficient information for timely decision-making.	47	1	5	3.32	1.321
Frequent financial reports help in identifying financial issues early, contributing to improved hotel performance.	47	1	5	3.74	1.406
Timeliness in financial reporting improves the effectiveness of strategic planning and financial control.	47	1	5	3.40	1.280
Timely financial reporting in our hotel ensures that management decisions are based on current financial data.	47	1	5	3.40	1.296
Accurate disclosure of material events in financial reporting reduces financial risks and enhances hotel performance.	47	1	5	3.53	1.158
The disclosure of material events in our financial reports enhances the transparency and credibility of our hotel.	47	1	5	3.53	1.316
Average Score				3.49	

Source: Field data, 2024

The descriptive statistics in Table 11 provide an overview of financial reporting practices among classified hotels, reflecting respondents' perspectives on various aspects of reporting frequency, timeliness, accuracy, and transparency, assessed on a five-point Likert scale from "strongly disagree" to "strongly agree." The statement "The frequency of financial reporting in our hotel provides sufficient information for timely decision-making" has a mean score of 3.32 and a standard deviation of 1.321. This suggests moderate agreement, indicating that respondents feel financial reports are generally provided frequently enough to support timely decisions, though there is notable variability. The relatively low mean score, coupled with the high standard deviation, implies that some hotels may not provide reports as frequently, which could limit their ability to make timely and informed decisions.

The statement "Frequent financial reports help in identifying financial issues early, contributing to improved hotel performance" scored a higher mean of 3.74 with a standard deviation of 1.406, showing stronger agreement. This higher mean suggests that respondents recognize the value of frequent reporting for identifying and addressing financial issues promptly, ultimately benefiting hotel performance. However, the large standard deviation indicates variability in experiences

among respondents, suggesting that while some hotels find frequent reporting beneficial, others may struggle with consistency in reporting frequency.

For "Timeliness in financial reporting improves the effectiveness of strategic planning and financial control," the mean score of 3.40 and a standard deviation of 1.280 reflect moderate agreement. Respondents appear to acknowledge that timely reports play a role in enhancing strategic planning and control, though some variability in responses suggests that not all hotels consistently achieve timely reporting. This gap in timeliness could impact the effectiveness of planning and financial management in certain hotels.

Similarly, the statement "Timely financial reporting in our hotel ensures that management decisions are based on current financial data" received a mean score of 3.40 with a standard deviation of 1.296, indicating a moderate level of agreement. This score implies that most respondents understand the importance of timely financial information for decision-making, although variability in responses suggests that some hotels may not consistently provide up-to-date data for management decisions, potentially limiting responsiveness to financial issues.

The statement "Accurate disclosure of material events in financial reporting reduces financial risks and enhances hotel performance" received a mean of 3.53 and a standard deviation of 1.158, suggesting general agreement among respondents on the importance of accurate disclosures. This score implies that respondents recognize the benefits of clear, accurate reporting of significant financial events for managing risk and supporting performance, although variability suggests differences in practice among hotels.

Lastly, "The disclosure of material events in our financial reports enhances the transparency and credibility of our hotel" also scored a mean of 3.53 with a standard deviation of 1.316, indicating agreement with moderate variability. This suggests that respondents see the value in transparent reporting for building hotel credibility, but some hotels may not consistently disclose material events, potentially affecting stakeholder trust.

Overall, the responses indicate a positive perception of financial reporting practices in supporting decision-making, risk management, and transparency, with particular emphasis on the value of frequent and timely reports. However, variability in responses highlights that certain hotels may not consistently achieve optimal reporting practices, suggesting that improvements in reporting frequency, timeliness, and material disclosures could further enhance financial decision-making and overall performance.

4.8.2 Inferential results on the effect of Financial Reporting on performance

Table 12 shows regression analysis of the effect of financial reporting on performance. The results demonstrated that there was a statistically significant positive relationship between financial reporting and performance of classified hotels in Lake Region ($R=0.618$). financial reporting accounted for 39.2% ($R^2 = 0.382$) variations in the performance of classified hotels in Lake Region. Hence, financial reporting is a significant predictor of performance of classified hotels in Lake Region.

Table 12: Effect of Financial reporting on Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.618 ^a	.382	.369	.69731747	.382	27.849	1	45	.000
a. Predictors: (Constant), Financial reporting									
ANOVA^a									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
	Regression	13.542	1	13.542	27.849	.000 ^b			
1	Residual	21.881	45	.486					
	Total	35.423	46						
a. Dependent Variable: performance of classified hotels in Lake Region									
b. Predictors: (Constant), Financial reporting									
Coefficients^a									
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.			
	(Constant)	2.085	.320		6.511	.000			
1	Financial reporting	.459	.087	.618	5.277	.000			
a. Dependent Variable: performance of classified hotels in Lake Region									

Source: Field data, 2024

The findings of the regression analysis, which included the latent variables of financial reporting and performance of categorised hotels in the Lake Region, are shown in Table 12. Based on the results of the regression coefficient ($B=0.459$), analysis of variance (ANOVA) ($F=27.849$), and t-test ($t=5.277$), it can be concluded that categorised hotels in the Lake Region were positively and significantly impacted by financial reporting (p-value is less than 0.05). Here is the model that represents the results:

$$Y = \beta_0 + \beta_4 X_4 + \varepsilon$$

Where Y= performance of classified hotels in Lake Region,

$$\beta_0 = 2.085 \text{ (constant)}$$

$$\beta_4 = 0.459$$

X₄= financial reporting

The model is $Y = 2.085 + 0.459X_4$ after plugging the data into the previous equation. The preceding model's constant has a coefficient of 2.085 (P=0.000), which means that classed hotels in the Lake Region would have a positive performance of 2.085 even if financial reporting weren't required. Classified hotels in the Lake Region would have a significant performance (P<0.05). In addition, the beta coefficient for financial reporting was 0.459, with a p-value of 0.000. This means that, all else being equal, categorised hotels in the Lake Region would get a notable 0.459-unit performance boost for every unit increase in financial reporting.

4.9 Influence of Financial management control On Performance of classified hotels in Lake Region

The general objective of the study was to examine influence of financial management control on performance of classified hotels in Lake Region. This section considered overall financial management control on performance of classified hotels in Lake Region both using multiple correlation matrix and multiple linear regression.

4.8.1 Descriptive Statistics of Performance of classified hotels in Lake Region

Descriptive results entailed minimum, maximum, mean and standard deviation of six observable variables that ultimately measured Performance of classified hotels in Lake Region. The results are as shown in Table 13.

Table 13: Descriptive Statistics of Performance of classified hotels in Lake Region

Performance	N	Min	Max	Mean	Standard Dev.
Our hotel achieves its financial targets and profitability goals regularly.	47	1	5	3.30	.998
Our hotel's profitability has improved consistently over the past financial periods.	47	1	5	3.47	.975
Operational processes in our hotel are streamlined, contributing to cost reduction and improved performance.	47	1	5	4.02	.921

The management regularly reviews and improves operational procedures to enhance efficiency.	47	1	5	4.02	1.073
Our hotel actively addresses customer feedback to improve the overall guest experience.	47	1	5	3.91	1.231
Our hotel consistently meets or exceeds customer expectations in performance of classified hotels in Lake Region.	47	1	5	3.40	1.245
Average Score				3.69	

Source: Field data, 2024

The descriptive statistics in Table 13 illustrate the performance perceptions of classified hotels in Kenya's Lake Region, with scores based on a five-point Likert scale from "strongly disagree" to "strongly agree." The overall average score of 3.69 reflects a generally positive view of hotel performance, though the variability in responses suggests areas for potential improvement. The statement "Our hotel achieves its financial targets and profitability goals regularly" received a mean score of 3.30 and a standard deviation of 0.998, indicating moderate agreement with low variability. This suggests that, while respondents generally feel their hotels meet financial targets, there may be occasional shortfalls. This relatively modest score highlights the possibility of challenges in consistently reaching profitability targets, possibly due to fluctuating market conditions or operational inefficiencies.

The statement "Our hotel's profitability has improved consistently over the past financial periods" has a slightly higher mean of 3.47 and a standard deviation of 0.975, indicating a moderate level of agreement with limited variability. Respondents appear to acknowledge some improvements in profitability, although the mean score suggests that these improvements may not be uniform across all hotels. Variability in profitability could stem from differences in management practices, market positioning, or investment in performance-enhancing initiatives.

"Operational processes in our hotel are streamlined, contributing to cost reduction and improved performance" scored a high mean of 4.02 with a standard deviation of 0.921, suggesting strong agreement. This score indicates that respondents widely perceive streamlined processes as contributing to cost efficiency and performance enhancement. The low variability further underscores a consensus on the value of efficient operations, suggesting that many hotels prioritize process optimization as part of their performance strategy.

Similarly, "The management regularly reviews and improves operational procedures to enhance efficiency" also received a high mean score of 4.02, with a slightly higher standard deviation of 1.073. This reflects a strong agreement that management is committed to refining operations, which likely contributes to sustained performance improvements. However, the slightly higher standard deviation suggests that some hotels may not conduct reviews as frequently or comprehensively as others, potentially affecting their ability to maximize efficiency gains.

For "Our hotel actively addresses customer feedback to improve the overall guest experience," the mean score is 3.91 with a standard deviation of 1.231, indicating that respondents generally agree that customer feedback is used constructively. This score suggests that most hotels recognize the importance of customer feedback in enhancing the guest experience, though some variability implies that certain hotels may be more proactive than others in implementing feedback-driven changes.

Finally, "Our hotel consistently meets or exceeds customer expectations in performance" has a mean of 3.40 with a standard deviation of 1.245, reflecting moderate agreement. While respondents believe their hotels strive to meet customer expectations, the mean score suggests some room for improvement. The variability also indicates differing levels of success in meeting customer expectations, potentially due to differences in service quality, facilities, or guest interaction.

4.9.2 Correlation between all financial management control and Performance of classified hotels in Lake Region

A correlation analysis has been carried out to determine the connection between financial management control and performance of classified hotels in Lake Region. Table 14 summarizes the results of the connection between the information given by financial management control and the actual performance of classified hotels in Lake Region.

Table 14: Correlation Matrix

		Budgeting	financial audits	Cash flow analysis	Financial reporting
Budgeting	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	47			
Financial audits	Pearson Correlation	.539**	1		
	Sig. (2-tailed)	.000			

	N	47	47		
Cash flow analysis	Pearson Correlation	.107	.243	1	
	Sig. (2-tailed)	.476	.101		
	N	47	47	47	
Financial reporting	Pearson Correlation	.171	.341*	.519**	1
	Sig. (2-tailed)	.250	.019	.000	
	N	47	47	47	47
Performance of classified hotels in Lake Region	Pearson Correlation	.559**	.624**	.585**	.618**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	47	47	47	47

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field data, 2024

The correlation coefficient between budgeting and hotel performance is $r = .559$, with a p-value of $.000$, which is statistically significant at the 0.01 level. This means there is a strong and statistically significant positive linear relationship between budgeting practices and hotel performance. Hotels that engage in effective budgeting are likely to experience enhanced financial planning, cost control, and resource allocation, which positively influence operational outcomes and profitability. Furthermore, budgeting is moderately correlated with financial audits ($r = .539$, $p = .000$), indicating that hotels that prioritize budgeting tend to also conduct regular and structured financial audits. However, its correlation with cash flow analysis is weak and not significant ($r = .107$, $p = .476$), suggesting that budgeting may not directly inform day-to-day liquidity management in these hotels. The relationship between budgeting and financial reporting is weak ($r = .171$) and statistically insignificant ($p = .250$), indicating limited coordination between planning and reporting mechanisms.

The correlation between financial audits and hotel performance is $r = .624$, with $p = .000$, showing a strong and statistically significant positive relationship. This implies that the more frequently and effectively audits are conducted, the more likely the hotel is to achieve higher performance. Audits help reinforce accountability, detect discrepancies early, and ensure compliance with financial standards, all of which contribute to better performance. Financial audits are moderately correlated with financial reporting ($r = .341$, $p = .019$), a statistically significant relationship. This suggests that hotels that conduct regular audits are more likely to maintain accurate financial records. Audits also show a weak but positive and statistically insignificant relationship with cash flow analysis ($r = .243$, $p = .101$), suggesting some alignment between auditing and liquidity monitoring, though not strongly established in this sample.

The correlation between cash flow analysis and hotel performance is $r = .585$, $p = .000$, indicating a moderately strong, statistically significant positive relationship. Effective management of inflows and outflows helps avoid cash shortages, improves supplier relationships, and supports operational continuity. Therefore, hotels that regularly analyze their cash flow tend to perform better. Moreover, cash flow analysis is strongly correlated with financial reporting ($r = .519$, $p = .000$), which is statistically significant and suggests that hotels integrating cash flow insights into financial statements are better positioned for informed decision-making. Its correlation with budgeting ($r = .107$, $p = .476$) and audits ($r = .243$, $p = .101$) is weak and statistically insignificant, indicating these processes may function in relative isolation.

Financial reporting demonstrates a strong positive correlation with hotel performance ($r = .618$, $p = .000$), which is statistically significant at the 0.01 level. This means that hotels with timely, accurate, and transparent financial reports tend to exhibit better financial and operational outcomes. Quality financial reporting supports compliance, strategic planning, and investor or stakeholder confidence. As highlighted above, financial reporting is significantly correlated with cash flow analysis ($r = .519$, $p = .000$) and moderately correlated with financial audits ($r = .341$, $p = .019$), showing that it is integrated with other control measures. However, its correlation with budgeting is weak and not statistically significant ($r = .171$, $p = .250$), possibly indicating a disconnect between forward planning and backward-looking reporting processes.

4.9.3 Multiple Regression for Financial management control Dimensions on Performance of classified hotels in Lake Region

Multiple Linear Regression analysis was conducted to find the effects of the financial management control dimension on the performance of classified hotels in Lake Region together for financial management control dimensions. This led to the identification of the study model coefficients and the study R square. As shown in Table 15, the results are current.

Table 15: Regression Analysis of Independent Variables and Performance of classified hotels in Lake Region

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.853 ^a	.728	.702	.4790545	.728	28.088	4	42	.000

a. Predictors: (Constant), financial audits, Cash flow analysis, Budgeting, financial reporting

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.784	4	6.446	28.088	.000 ^b
	Residual	9.639	42	.229		
	Total	35.423	46			

a. Dependent Variable: performance of classified hotels in Lake Region

b. Predictors: (Constant), financial audits, Cash flow analysis, Budgeting, financial reporting

Coefficients^a

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	
	(Constant)	-.133	.381		-.348	.729
1	Budgeting	.277	.080	.330	3.451	.001
	Financial Audits	.230	.088	.264	2.622	.012
	Cash Flow Analysis	.323	.093	.330	3.489	.001
	Financial Reporting	.224	.072	.301	3.087	.004

a. Dependent Variable: performance of classified hotels in Lake Region

a. Predictors: (Constant), Financial audits (FA), Cash flow analysis (CFA), Financial reporting (FR)

Source: Field data, 2024

Table 15 demonstrates a positive and linear relationship between performance of classified hotels in Lake Region and four predictor variables: Budgeting, Financial audits, financial reporting, and cash flow analysis. The correlation coefficient, denoted as r , was found to be 0.853. The coefficient of determination (R^2) was found to be 0.728, suggesting that about 72.8% of the variability in performance of classified hotels in Lake Region can be accounted for by the four predictor variables included in the study. The remaining 27.2% of the variation is attributed to factors not explicitly included in the model.

The analysis of variance (ANOVA) yielded significant F-test findings, with a F value of 28.088 ($df = 4, 46$), $p < .01$. This indicates that the model adequately accounts for the variability in the dependent variables. Additionally, it can be inferred that financial management control has a significant role as an indicator of performance of classified hotels in Lake Region. The multiple linear regression model, as shown in Table 15, was constructed to analyze the relationship between the return of four predictor variables and financial outcomes:

$$\text{Performance of classified hotels in Lake Region} = -0.133 + 0.277X_1 + 0.230X_2 + 0.323X_3 + 0.224X_4$$

Where X_1 = Independent variable 1 [Budgeting]

X_2 = Independent variable 2 [Financial Audits]

X₃= Independent variable 3 [Cashflow Analysis]

X₄= Independent variable 4 [Financial Reporting]

The results indicate that budgeting significantly influences the performance of classified hotels in the Lake Region. The unstandardized coefficient for budgeting is 0.277, with a p-value of 0.001, highlighting its strong statistical significance. This suggests that effective budgeting practices are critical for enhancing operational efficiency and resource allocation within these hotels. By implementing comprehensive budgeting strategies, hotel managers can better plan for both expected and unexpected expenses, leading to improved financial health and overall performance. Thus, the findings affirm that prioritizing budgeting can directly translate into better performance outcomes for classified hotels. The first null hypothesis was rejected.

Financial audits also emerged as a significant predictor of hotel performance, with an unstandardized coefficient of 0.230 and a p-value of 0.012. This result emphasizes the role of rigorous financial auditing in ensuring accuracy and transparency in financial reporting. Regular financial audits can identify discrepancies and areas for improvement, ultimately leading to better decision-making and increased stakeholder confidence. As hotels in the Lake Region strive to maintain high standards and attract clientele, the importance of transparent financial practices cannot be overstated. The positive relationship between financial audits and performance suggests that hotels should invest in regular auditing processes to enhance their operational efficiency and service delivery. The second null hypothesis was rejected.

Cash flow analysis exhibited the strongest influence on the performance of classified hotels, as evidenced by an unstandardized coefficient of 0.323 and a highly significant p-value of 0.001. This finding underscores the critical role of understanding cash flows in the hospitality sector, where managing liquidity is essential for day-to-day operations. Effective cash flow management allows hotels to meet their financial obligations promptly, invest in growth opportunities, and navigate fluctuations in the market. By prioritizing cash flow analysis, hotel managers can make informed decisions that lead to sustainable performance improvements. The results suggest that hotels that focus on meticulous cash flow monitoring and management are likely to experience enhanced operational outcomes. The third null hypothesis was rejected.

Finally, the results reveal that financial reporting significantly impacts hotel performance, with an unstandardized coefficient of 0.224 and a p-value of 0.004. Accurate and timely financial reporting provides stakeholders with a clear picture of a hotel's financial position, facilitating better strategic

decisions. By ensuring that financial reports are comprehensive and accessible, hotel management can foster greater trust among investors and customers alike. The ability to analyze and present financial data effectively can enhance a hotel's reputation and operational performance. Therefore, hotels in the Lake Region should prioritize robust financial reporting practices to maximize their performance potential. The fourth null hypothesis was rejected.

4.10 Discussion of the Findings

4.10.1. Influence of Budgeting on Performance

The study found that budgeting practices significantly impact the performance of classified hotels in Kenya's Lake Region, with an average score of 3.68, indicating that budgeting activities, such as time investment and variance monitoring, are generally well-regarded by hotel managers. This aligns with Kariuki and Kamau (2018), who found that structured budgeting systems in Nairobi's hotels correlate with higher profitability and financial performance. Orobia et al. (2020) also support this by demonstrating that effective budgeting enhances cost reduction and decision-making in Ugandan SMEs, leading to improved financial sustainability.

The correlation between budgeting and hotel performance is strong and positive ($r = .559$, $p = .000$). This indicates that better budgeting practices are significantly associated with improved performance outcomes in classified hotels. The strength of this relationship suggests that when hotels effectively plan and allocate financial resources, they are more likely to achieve higher operational efficiency and profitability. This result aligns with Mohammad and Ameer (2018), who observed that manufacturing firms in Pakistan with strong budgeting practices experience improved profitability and operational efficiency. Obara and Muraleetharan (2019) further underscore the role of budgeting in boosting efficiency and strategic decision-making in Sri Lankan banks, emphasizing that rigorous budget controls lead to better financial outcomes.

When combined with other financial practices, budgeting maintained a significant influence ($B = 0.277$, $p = 0.001$) on performance. This finding is consistent with Kimani and Mutunga (2021), who observed that budgeting controls in Kenyan state corporations improve transparency, accountability, and financial performance. Juma and Ngugi (2022) further confirmed the impact of advanced budgeting systems on hotel profitability and cost management in Mombasa, underscoring the importance of budgeting as a core performance driver in the hospitality industry.

4.10.2. Influence of Financial Audits on Performance

The study showed that financial audits positively impact hotel performance, with an average rating of 3.6, especially in areas like frequent audits and implementation of auditor recommendations. This finding aligns with Nuhu and Bawa (2021), who demonstrated that regular audits enhance transparency and accountability in Nigerian SMEs, contributing to better financial management and increased performance. Kariuki and Kamau (2020) also found that frequent audits help maintain regulatory compliance and strengthen internal controls in Kenyan public sector institutions.

There is a strong and positive correlation between financial audits and hotel performance ($r = .624$, $p = .000$). This is the strongest correlation among the variables studied. It implies that rigorous financial audit practices contribute significantly to hotel performance, likely by enhancing accountability, detecting financial irregularities early, and reinforcing internal controls. This supports Al-Thuneibat and Al-Fayoumi (2019), who found that external audits enhance investor trust and financial discipline in listed Jordanian companies, leading to improved financial performance. Similarly, Ochieng and Simiyu (2022) observed that internal audits significantly improve financial outcomes in Nairobi's banks by strengthening control systems and preventing financial mismanagement.

Financial audits continued to significantly influence performance in the multiple regression model ($B = 0.230$, $p = 0.012$), consistent with Mahmood and Ali (2021), who reported that financial audits promote risk management and operational efficiency in Pakistani manufacturing firms. Muthoni and Mwangi (2020) further validated the importance of audits for financial accountability and performance improvements in Kenyan county governments, reinforcing that regular audits are essential for transparent and efficient financial practices.

4.10.3 Influence of Cash Flow Analysis on Performance

Cash flow analysis practices were rated positively, with an average score of 3.69, particularly in cash flow variance analysis and expense forecasting. This aligns with Ahmed and Kungu (2023), who found that effective cash flow management improves liquidity and reduces financial distress among Kenyan SMEs. Mwangi and Karanja (2022) also observed that manufacturing firms in Mombasa with active cash flow monitoring are more profitable, as they can prevent liquidity crises.

The correlation between cash flow analysis and hotel performance is moderately positive ($r = .585$, $p = .000$). This indicates a statistically significant relationship, meaning that effective monitoring and analysis of cash inflows and outflows support hotel performance. Efficient cash flow management may prevent liquidity challenges and improve the ability to meet short-term obligations. This finding is consistent with Osei and Mensah (2021), who demonstrated that strong cash flow practices contribute to higher returns on assets (ROA) and equity (ROE) in Ghanaian companies. Kariuki and Muturi (2020) similarly found that cash flow analysis is vital for financial sustainability among agricultural firms in Kenya, as it helps align inflows and outflows, thereby preventing cash shortfalls.

Cash flow analysis had the strongest impact in the combined model ($B = 0.323$, $p = 0.001$), aligning with Hassan and Ahmed (2023), who showed that effective cash flow management enhances liquidity and profitability in Dubai's hospitality sector. Chima and Ogbodo (2021) also found that cash flow forecasting improves project financing and financial health among Nigerian construction firms, highlighting its critical role in financial decision-making and stability.

4.10.4. Influence of Financial Reporting on Performance

Financial reporting practices received an average score of 3.49, with high value placed on frequent, transparent reporting for timely decision-making. Smith and Johnson (2023) support these findings by showing that robust financial reporting in US technology firms enhances financial performance through better decision-making. Similarly, Zhou and Li (2022) observed that high-quality reporting in Chinese listed firms fosters investor trust and improves financial outcomes.

A strong positive correlation is observed between financial reporting and hotel performance ($r = .618$, $p = .000$). Accurate and timely financial reporting likely enhances transparency and decision-making, thus contributing to better financial outcomes and managerial effectiveness in classified hotels. This result is in line with Lopez and Garcia (2023), who found that transparent reporting practices improve operational efficiency in Madrid's retail sector. Johnson and Kumar (2021) also highlighted that effective financial reporting enables informed decision-making and strategic planning in the Indian healthcare industry, leading to better financial performance.

Financial reporting retained its significance in the combined model ($B = 0.224$, $p = 0.004$), supporting Brown and Davis (2022), who found that comprehensive financial reporting practices in London SMEs contribute to financial performance improvements and business growth. Choi

and Park (2021) further observed that accurate reporting minimizes regulatory issues and enhances financial performance in South Korean financial institutions.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a comprehensive overview of the noteworthy findings of the investigation, the derived conclusions, the recommended actions, and the proposed avenues for further research.

5.2 Summary of the Findings

The study was intended to examine influence of financial management control on performance of classified hotels in Lake Region. The basic goals were to evaluate influence of budgeting, financial audits, cash flow analysis and financial reporting on performance of classified hotels in Lake Region. The overview of the major findings of the study is summarized in this section, and summaries are given below.

5.2.1 Budgeting on Performance of classified hotels in Lake Region

The first objective was to investigate influence of budgeting on performance of classified hotels in Lake Region. Budgeting was found to be a vital practice, with descriptive statistics indicating that hotels generally dedicate substantial time and resources to budget preparation and monitoring. Respondents rated budget preparation highly (mean = 3.94), alongside close monitoring of budget deviations (mean = 3.87), which reflects a proactive approach to financial control. The correlation between budgeting and hotel performance is strong and positive ($r = .559$, $p = .000$). This indicates that better budgeting practices are significantly associated with improved performance outcomes in classified hotels. In the multiple regression model, budgeting remained a significant predictor, with a coefficient of 0.277 ($p = 0.001$), demonstrating its continued importance when combined with other financial practices. This finding underscores budgeting as a cornerstone of financial planning, directly impacting the operational efficiency and profitability of hotels in the Lake Region.

5.2.2 financial audits and Performance of classified hotels in Lake Region

The second objective was to determine the performance of classified hotels in Lake Region through the impact of the financial audits. Financial audits also had a notable effect on hotel performance. Descriptively, hotels in the region rated frequent audits positively, with a mean score of 3.62. Implementing audit recommendations scored even higher (mean = 3.79), suggesting that hotels recognize the value of acting on audit insights to improve financial practices. There is a strong and positive correlation between financial audits and hotel performance ($r = .624$, $p = .000$).

This is the strongest correlation among the variables studied. In the multiple regression model, financial audits retained significance with a coefficient of 0.230 ($p = 0.012$), reinforcing its role as a key performance driver even alongside other financial control. By conducting regular audits, hotels improve financial transparency and decision-making, ultimately fostering stakeholder confidence and supporting long-term performance.

5.2.3 Cash flow analysis on Performance of classified hotels in Lake Region

The third objective was to establish the influence of cash flow analysis on performance of classified hotels in Lake Region. Cash flow analysis emerged as a highly influential factor in hotel performance, with descriptive results indicating strong agreement on the role of cash flow variance analysis (mean = 3.87) and expense forecasting (mean = 3.81) in sustaining operations. These practices enable hotels to maintain adequate liquidity, anticipate financial shortfalls, and make informed decisions. The correlation between cash flow analysis and hotel performance is moderately positive ($r = .585$, $p = .000$). This indicates a statistically significant relationship, meaning that effective monitoring and analysis of cash inflows and outflows support hotel performance. In the multiple regression model, cash flow analysis had the strongest influence, with a coefficient of 0.323 ($p = 0.001$), affirming its critical role when assessed alongside budgeting, audits, and reporting. This demonstrates that rigorous cash flow management is crucial for operational resilience and financial health in the hotel industry, enabling management to navigate market fluctuations and sustain growth.

5.2.4 Influence of Financial reporting on Performance of classified hotels in Lake Region

The fourth objective sought to examine the influence of financial reporting on performance of classified hotels in Lake Region. Financial reporting was also identified as a significant contributor to hotel performance. Descriptive statistics showed that respondents valued the frequency and transparency of reports, with frequent reporting for timely decision-making scoring moderately (mean = 3.74). A strong positive correlation is observed between financial reporting and hotel performance ($r = .618$, $p = .000$). Accurate and timely financial reporting likely enhances transparency and decision-making, thus contributing to better financial outcomes and managerial effectiveness in classified hotels. In the multiple regression model, financial reporting remained a significant predictor with a coefficient of 0.224 ($p = 0.004$), highlighting its impact even when combined with other financial practices. Transparent and timely financial reporting ensures that managers can make data-informed decisions, which are essential for maintaining credibility and achieving strategic objectives.

5.3. Conclusions

Based on the findings of the study, the following conclusions were arrived at:

Budgeting is a fundamental practice that significantly enhances the performance of classified hotels in the Lake Region. The high ratings for budget preparation and monitoring demonstrate a proactive approach among hotel managers, highlighting their commitment to financial control. The regression analysis, which revealed that budgeting explains 31.2% of the variance in performance, underscores its critical role in operational efficiency and profitability. Each unit increase in budgeting effectiveness is associated with a notable improvement in performance, reinforcing its status as a cornerstone of financial planning.

The findings indicate that financial audits play a significant role in improving the performance of classified hotels. The positive ratings for frequent audits and the implementation of audit recommendations suggest that hotels in the region recognize the value of rigorous financial oversight. With financial audits explaining 39% of the variance in performance, it is clear that these practices enhance compliance and accuracy in financial management, fostering transparency and stakeholder trust.

The analysis reveals that cash flow analysis is a crucial determinant of hotel performance, with strong agreements on the importance of variance analysis and expense forecasting. The ability to manage cash flow effectively accounts for a substantial portion of performance variance, highlighting its significance in maintaining liquidity and making informed financial decisions.

Financial reporting is identified as a significant factor influencing the performance of classified hotels. The findings show that transparent and frequent reporting enhances decision-making and builds stakeholder trust. With financial reporting accounting for 38.2% of the variance in performance, it is evident that timely access to accurate financial data is essential for effective management.

5.4 Recommendations

To further enhance performance, it is recommended that hotel management in the Lake Region continue to prioritize budgeting processes. Implementing comprehensive training programs for staff involved in budgeting can improve their skills and knowledge, enabling them to create more accurate and realistic budgets. Additionally, regular reviews and adjustments to budgeting

practices should be undertaken to adapt to changing market conditions, ensuring that the budgeting process remains relevant and effective.

It is recommended that hotels conduct regular financial audits to ensure ongoing compliance with financial regulations and best practices. Management should also create a system for tracking the implementation of audit recommendations, thereby enhancing accountability and continuous improvement. Moreover, fostering a culture of openness about financial practices and audit findings can strengthen stakeholder confidence and encourage collaborative efforts toward achieving operational excellence.

To capitalize on the benefits of cash flow analysis, hotels should adopt advanced financial management software that enables real-time tracking of cash flows and forecasting. Training staff on cash flow management techniques will also be beneficial in enhancing their analytical capabilities. Regular cash flow reviews should be integrated into the management processes to proactively address potential liquidity issues, ensuring that hotels remain resilient and responsive to market fluctuations.

It is advisable for hotel management to establish clear protocols for financial reporting that emphasize transparency and regularity. This could involve creating a standardized reporting framework that allows for consistent data collection and analysis. Additionally, investing in training for financial staff to improve their reporting skills can lead to more insightful reports, enabling management to make informed strategic decisions. Engaging stakeholders by sharing financial reports can also strengthen trust and collaboration, further enhancing overall performance.

5.5 Suggestions for Further Research

Conceptually, the study focused on financial management control which was conceptualized into budgeting, financial audits, cash flow analysis and financial reporting. The study should focus on other financial control management indicators such as internal control and risk management.

Methodologically, the context of the current study was among classified hotels in Lake Region, the study recommended that further studies should be conducted in other hotels as well as classified hotels outside lake region for comparison. The study used primary data; however, further studies should use qualitative data for the purpose of triangulation results from qualitative and quantitative sources.

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APPENDICES

Appendix I: Informed consent

Dear Respondent,

RE: Research Data on “**INFLUENCE OF FINANCIAL MANAGEMENT CONTROL ON PERFORMANCE OF CLASSIFIED HOTELS IN LAKE REGION, KENYA**”

I kindly wish to inform you that the study is in partial fulfillment of my Masters’ degree program. I recruit you conveniently to participate in this study and am seeking your consent. Confidentiality will be maintained by using visit numbers rather than names and information gathered will not be revealed to anybody without your consent. Participation in this study is voluntary. The project poses no risks to the participants. You are free to participate or decline participation anytime during this study.

Respondent

Sign..... Date.....

Principal Investigator



Sign... Date.....15/10/2024.....

Mobile No. 0720647934

Ethics Review Committee Office

The Chairman

Mount Kenya University, Ethics Review Committee

P.O. Box 342-01000

Nairobi



Appendix II: Questionnaire

SECTION A: **GENERAL INFORMATION** (Please tick (✓) as appropriate in the provided boxes)

1. Gender

Male Female

2. Age Bracket

< 25 Years 25-34 Years

35-44 Years 45-54 Years

Above 54 Years

3. What is your highest level of education?

O-Level A-Level

College Diploma/Certificate Bachelor's Degree

Post Graduate

4. How long have you worked for the hotel?

Less than one Year 1-5 Years

6-10 Years Over 10 Years

SECTION B: FINANCIAL MANAGEMENT CONTROL

4. Please indicate to what degree you agree with these assertions at scale 5 for a Strong Agreement (SA), 4 for Agreement (A), 3 for a Disagreement (D) and 2 for a Disagreement and 1 for a Strong Disagreement (SD), by checking a corresponding answer (✓).

BUDGETING (B)		1- SD	2	3	4	5 - SA
B1	Our hotel management invests sufficient time and effort in preparing the annual budget.					
B2	The study involve all departments and relevant personnel in the budget preparation process.					
B3	Our hotel consistently follows the approved budget throughout the financial period.					

B4	Deviations from the budget are closely monitored and corrective actions are promptly implemented.					
B5	Our hotel regularly conducts budget variance analysis to compare actual performance against budgeted targets.					
B6	Budget variance reports are used to identify areas where cost control and revenue generation need improvement.					
Financial audits (FA)		1- SD	2	3	4	5 – SA
FA 1	Our hotel conducts financial audits frequently to ensure financial accuracy and compliance.					
FA 2	Increased frequency of audits helps in early detection and correction of financial discrepancies.					
FA 3	The scope of our financial audits covers all critical areas, including revenues, expenditures, and internal controls.					
FA 4	Comprehensive audit coverage in our hotel ensures that all financial risks are identified and managed effectively.					
FA 5	Our hotel effectively implements the recommendations provided by auditors after each financial audit.					
FA 6	There is a structured process in place for monitoring the implementation of audit recommendations in our hotel.					
Cash flow analysis (CS)		1- SD	2	3	4	5 – SA
CFA 1	Accurate revenue prediction helps our hotel to maintain adequate cash reserves for operational needs					

CFA 2	Effective revenue prediction enables our hotel to anticipate cash flow shortages and take corrective actions					
CFA 3	Our hotel regularly updates expense forecasts to reflect changing market conditions and operational needs.					
CFA 4	Accurate expense forecasting allows our hotel to allocate resources efficiently, enhancing overall performance.					
CFA 5	Regular cash flow variance analysis helps our hotel identify discrepancies between projected and actual cash flows.					
CFA 6	Cash flow variance analysis in our hotel leads to better financial decision-making and corrective actions.					
FINANCIAL REPORTINGS (FR)		1- SD	2	3	4	5 - SA
FR 1	The frequency of financial reporting in our hotel provides sufficient information for timely decision-making.					
FR 2	Frequent financial reports help in identifying financial issues early, contributing to improved hotel performance.					
FR 3	Timeliness in financial reporting improves the effectiveness of strategic planning and financial control.					
FR 4	Timely financial reporting in our hotel ensures that management decisions are based on current financial data.					
FR 5	Accurate disclosure of material events in financial reporting reduces financial risks and enhances hotel performance.					

FR 6	The disclosure of material events in our financial reports enhances the transparency and credibility of our hotel.					
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SECTION F: PERFORMANCE

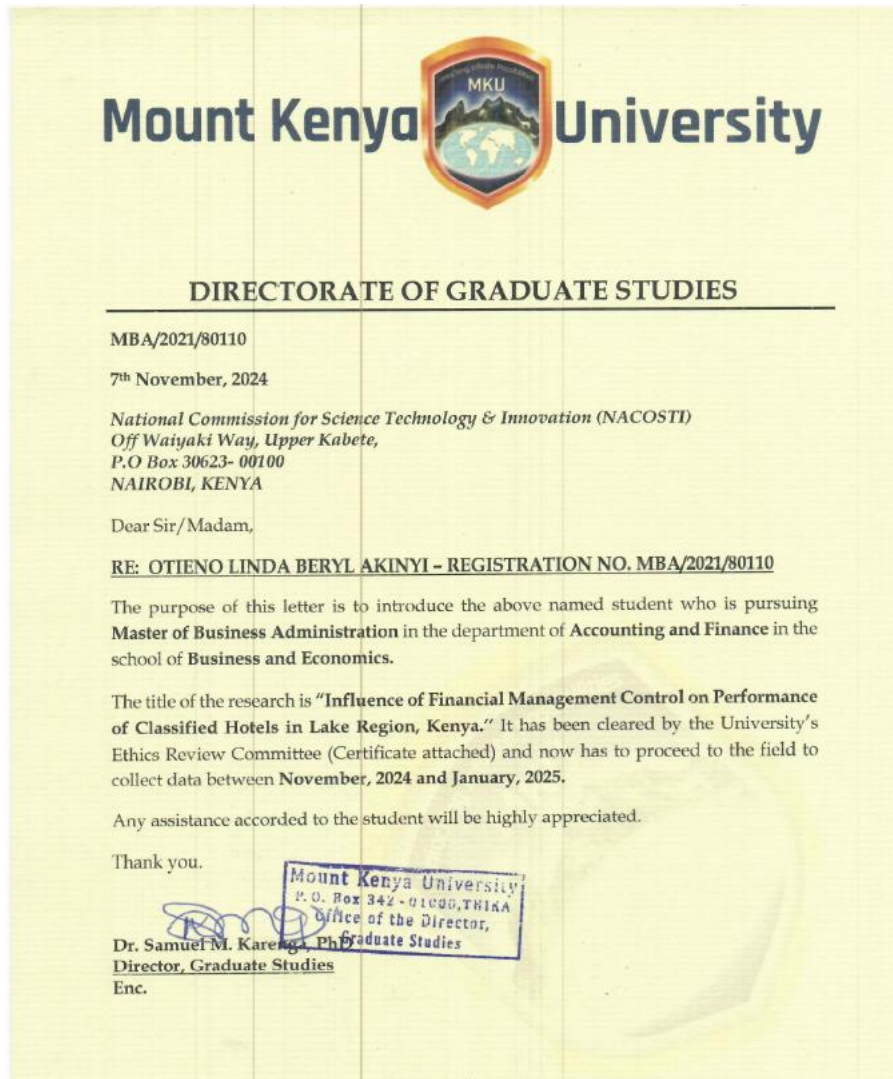
Performance(PP)		1- SD	2	3	4	5 - SA
P 1	Our hotel achieves its financial targets and profitability goals regularly.					
P 2	Our hotel's profitability has improved consistently over the past financial periods.					
P 3	Operational processes in our hotel are streamlined, contributing to cost reduction and improved performance.					
P 4	The management regularly reviews and improves operational procedures to enhance efficiency.					
P 5	Our hotel actively addresses customer feedback to improve the overall guest experience.					
P 6	Our hotel consistently meets or exceeds customer expectations in performance of classified hotels in Lake Region.					

APPENDIX III: CLASSIFIED HOTELS IN WESTERN KENYA


NO	ESTABLISHMENT	COUNTY	ROOMS	BEDS CAPACITY	RATING
1	Acacia Premier Hotel	Kisumu	92	97	****
2	The Vic Hotel	Kisumu	106	122	***
3	Kisumu Hotel	Kisumu	86	120	***
4	Imperial Hotel	Kisumu	78	90	***
5	Hotel Nyakoe	Kisii	75	86	***
6	Sovereign Hotel	Kisumu	32	64	***
7	Jambo Impala Eco-lodge	Kisumu	12	24	***
8	Coldspring	Homabay	68	120	****
9	Dados Hotel	Kisii	57	72	**
10	Sunset Hotel	Kisumu	50	100	**
11	St. Johns Manor-Le Savanna Country Lodges	Kisumu	49	49	**
12	Le Savanna Country Lodge & Hotel	Kisumu	39	78	**
13	Tourist Hotel	Homabay	21	42	***
14	Kiboko Bay Resort	Kisumu	10	20	**
15	Dewchurch Drive Hotel	Kisumu	13	16	*
	TOTAL		781	1102	

Source: Emerging data sources (2024)

APPENDIX IV: INTRODUCTION LETTER



APPENDIX V: MOUNT KENYA UNIVERSITY ISERC



Mount Kenya University

REF: MKU/ISERC/4553 Date: 05 November 2024
TO: OTIENO LINDA BERYL AKINYI
REG: MBA/2021/80110

Dear Sir/Madam,

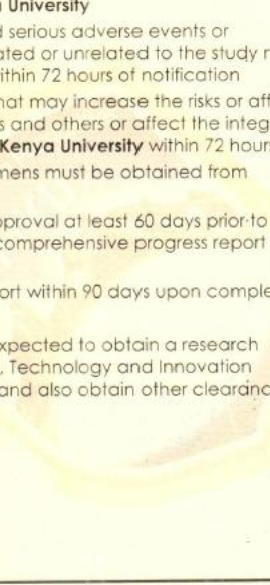
RE: INFLUENCE OF FINANCIAL MANAGEMENT CONTROL ON PERFORMANCE OF CLASSIFIED HOTELS IN LAKE REGION, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3275**. The approval period is **05/11/2024 - 04/11/2025**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD.
Chairman, **Mount Kenya University ISERC**

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001:2015 Certified

APPENDIX VI: NACOSTI PERMIT

REPUBLIC OF KENYA
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 943379

RESEARCH LICENSE



This is to Certify that Ms. Beryl ofeno linda of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Homabay, Kisii, Kisumu, Siaya on the topic: INFLUENCE OF FINANCIAL MANAGEMENT CONTROL ON PERFORMANCE OF CLASSIFIED HOTELS IN LAKE REGION, KENYA for the period ending : 15/November/2025.

License No: NACOSTI/P/24/42202

Applicant Identification Number: 943379

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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See overleaf for conditions

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license and any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

APPENDIX VII: PLAGIARISM REPORT

