EFFECTS OF BUDGETARY ALLOCATIONS ON FINANCIAL SUSTAINABILITY OF PUBLIC HEALTH FACILITIES IN NAKURU WEST SUB COUNTY, KENYA

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ABSTRACT

The Kenyan government strives to ensure as many Kenyan citizens as possible have access to affordable health services. However, the public health sector has been facing an array of problems linked to budgeting. The study sought to determine the effect of financial sources, budgetary allocation criteria, stakeholder involvement, and budgetary variance on financial sustainability of public health facilities. A number of theories guided the study. The study employed descriptive research design and quantitative approach. A sample of 73 respondents was employed. The study established that stakeholders involvement had the strongest correlation with financial sustainability ($r = 0.685$). Financial sources, stakeholder involvement, and budgetary variance were significantly correlated with financial sustainability ($p < 0.05$). However, budgetary allocation criteria was not significantly correlated with ($p > 0.05$). It was revealed that budgetary allocations explained 58.5% of financial sustainability of public health facilities in Nakuru West Sub-County. The study concluded that budgetary allocations characterized by financial sources, stakeholder involvement, and budgetary variance, are crucial in enhancing financial sustainability of public health facilities. The study recommended that there should be financial prudence in order to ensure financial sustainability and sustained service delivery and that the health facilities uphold the sound budget planning mechanisms.

Keywords: Budgetary allocations, budgetary allocation criteria, budgetary variance, financial sources, financial sustainability, stakeholder involvement

INTRODUCTION

A budget refers to an estimate of cost, revenues and resources over a specified period of time that gives a picture of future financial conditions and goals. It is a monetary expression of target to be accomplished in a given time period by organizations, companies, firms, individuals or even a
nation. Budgets help achieve targets over time given available and expected resources. Achievements of targets are influenced by past and expected experiences (Atkinson, Banker, Kaplan & Young, 2001). Budgeting is a process of coming up with budgets or plans to spend resources. The budget process entails mechanisms by which a firm prepares its budget. It entails engaging various individuals in preparing budgets and more so implementing organization goals. Budgeting entails financial modelling to enhance accuracy of budget plans (Maritim, 2013). Budgetary allocation refers to commitment of resources to units, departments, sections or project of an organization over a period of time. Allocation shows the amount of resources usually funds committed to certain expenditure (Douillet & Grandval, 2011).

Financial sustainability considers the ability of an organization to be financially agile while still continuing with operations without being affected by economic shocks (Bowman, 2011). According to Montgomery (2005) financial sustainability entails enhancing the capacity of institutions to make choices and to transform the choices into desired actions and outcomes. It also involves the capacity of an organization to sustain its operations over time, enhancing efficiency and taking new opportunities.

The public health sector in Kenya is the largest in terms of healthcare facilities when juxtaposed against the private health sector. Government spending on healthcare averages 6% of the Gross Domestic Product (GDP). Devolution has occasioned to most of public health services being decentralized from the national government through the Ministry of Health (MOH) to county governments. The Kenyan healthcare financing system is mixed with general tax financing and National Hospital Insurance Fund (NHIF) constituting major sources of finance. The Kenyan government has introduced free maternity services in public health facilities (Netherlands Enterprise Agency, 2016). In the financial year 2016/2017, a total of Ksh 60.3 billion was allocated to the MOH. The allocation was deemed to improve healthcare countrywide.

The budgetary allocation to facilitate access to free maternal healthcare was Ksh 4.3 billion over same period of time, while Ksh 4.5 billion was allocated to leasing medical equipment, Ksh 6.7 billion to Kenyatta National Hospital (KNH), Ksh 1.7 billion to Kenya Medical Research Institute (KEMRI), and Ksh 0.9 billion to the National Aids Control Council (NACC). The rest was allocated to other facets under the public health sector (Republic of Kenya, 2016). Currently,
the budgetary allocation to the public health sector stands at Ksh 61.6 billion which translates to 3.9% of the total national budget.

Kenya’s budgetary allocation to the public sector which stands at 3.9% of the country’s national budget (Republic of Kenya, 2018) is deemed less than what is actually required, 15% as per the Abuja declaration. To this end, the major challenge that faces the sector is directly or indirectly linked to financial constraints. The empirical studies that have hitherto been conducted by various authors such as Oketch and Gitahi (2012), Kamau, Rotich and Anyango (2017), and Mumenya and Wagoki (2018) have fallen short of explicitly examining budgetary allocation and how such influences financial sustainability of the public health sector in Kenya. This study was therefore conducted to analyze how budgetary allocations influence financial sustainability of the public health sector in Kenya with a special focus on health facilities in Nakuru West Sub-County.

Ideally and according to expectations, all public health facilities are required to dispense requisite health services to all patients at all times. For the foregoing to be realized, these facilities are supposed to have the necessary personnel, medical equipment, and drugs, particularly essential medicines. On the same vein, these services demand for significant and timely budgetary allocation. Anything short of this is likely to compromise the financial sustainability of the public health facilities. Contrary to the ideal expectations, the services dispensed by many public health facilities in the country are below par as manifested in shortage of drugs, lack of necessary medical equipment, and also intermittent industrial strikes and go-slows amongst the staff working in the devolved health facilities. The current budgetary allocation to the public sector which stands at 3.9% of the country’s national budget (Republic of Kenya, 2018) is deemed less than what is actually required, 15% as per the Abuja declaration. To this end, the major challenge that faces the sector is directly or indirectly linked to financial constraints. Hitherto there is scanty empirical literature linking budgetary allocations to financial sustainability of public health facilities. In response, the present study put into perspective these constructs particularly in the context of public health facilities operating in Nakuru West Sub-County.
Effects of budgetary allocations on financial sustainability of public health facilities in Nakuru West sub-county, Kenya

Research Questions

i. What is the effect of financial sources on financial sustainability of public health facilities in Nakuru West Sub-County?

ii. What is the effect of budgetary allocation criteria on financial sustainability of public health facilities in Nakuru West Sub-County?

iii. What is the effect of stakeholder involvement on financial sustainability of public health facilities in Nakuru West Sub-County?

iv. What is the effect of budgetary variance on financial sustainability of public health facilities in Nakuru West Sub-County?

LITERATURE REVIEW

Empirical Literature

Munge and Briggs (2013) analyzed the progressivity of health-care financing revealed that the overall health-care financing system was regressive. On the other hand out of pocket payments were regressive with all other payments being proportional. It further noted that direct taxes, indirect taxes and private insurance premiums were sensitive to the use of income as an alternative measure of ability to pay.

Oketch (2012) analyzed possible alternative sustainable financing options for primary health care in services in Kenya. The study found that providers of these services prefer financing mechanisms that pool funds together to ensure that the poor and other vulnerable are cushioned against the catastrophic health expenditure. It further noted that other mechanisms favored included establishment of specific taxes to finance health care and where possible consider insurance of health infrastructure bonds to facilitate the construction of modern health facilities across the country.

Otieno (2016) analyzed the resource allocation to the health sector at the county level and implications for equity in Baringo County, Kenya. It was revealed that Public Finance Act of 2012 was followed in the budget making process but there was no criteria or formula for financial resource allocation.
Gakuru and Mungania (2016) analyzed the budgetary allocation and the success of Public sector management in central province, Kenya. The study found that there is a strong positive relationship between budgetary allocation and public sector management. It further revealed that the budgetary allocations were not adequate for the successful implementation of new public management strategies since only about 9% of them said that the allocated resources were adequate.

Waithaka, Tsofa, Kabia and Barasa (2018) examined the health care priority setting practices at the county level. The study findings revealed that stakeholders were not involved in the budgeting process at the county level. The study also revealed a lack of commitment in stakeholder involvement in the budgeting process. The study therefore concluded that proper communication channels should be deployed so as to ensure all the relevant stakeholders are involved and satisfied with the budgetary allocation process.

Barasa, Cleary, Molyneux and English (2017) analyzed the budgeting and planning process in the county hospitals in Kenya. The study found out that with regards to the first hospital stakeholders were fully involved in the budget allocation and planning process. In the second hospital however, there was no stakeholder involvement in budgetary allocation and planning process.

Kamau, Rotich and Anyango (2017) analyzed the effects of budgeting process on budget performance in Kenyatta national hospital. The study found out that budget variances continue to exist due to poor budget preparation; planning, control and implementation. The study concluded that good budgeting process should be adhered to so as to reduce budgetary variances and improve budget performance in Kenyatta national hospital.

Mbothu (2012) determined the relationship between adoption of best budgeting practices and profitability. The study noted that 47% of the study respondents indicated that private hospitals prepare budget variance report regularly. Indeed, the study noted that use of budget variance analysis aids in cost management. In the study, it was also found out that variance analysis aids management in identifying areas of weaknesses or underfunded with the intent of enhancing performance.
Mummenya and Wangoki (2018) assessed the effect of national hospital insurance fund financial sustainability of public hospitals in Kenya. The study found out that increasing the utilization levels of NHIF had no significant impact on financial sustainability of health facilities. The study concluded that the level of utilization of NHIF had no effect on financial sustainability.

Nyaga (2015) conducted an investigation on the financial sustainability of social enterprises established by public benefit organizations. The study included all public benefitting organizations (PBO’s) registered in Kenya and a sample of 385 out of a total of 12,364 PBO’s were selected. Multiple linear regression model and descriptive statistics were the types of analysis derived from SPSS. The study findings indicated a statistical significance positive relationship between income generated and financial stability.

**Conceptual Framework**

A conceptual framework illustrates factors, constructs or variables pertinent to a given study and how they are believed to relate. The Figure 1 is the conceptual framework for this study. It outlines three distinct sets of variables; that is, independent, intervening and dependent variables. Independent variables characterize budgetary allocation in public health facilities and include financial sources, budgetary allocation criteria, stakeholder involvement, and budgetary variance. Intermediary variable also referred to as mediating or intervening variable constituted various County Government policies particularly those that outline the utilization of the allocated funds. On the other hand, financial sustainability of the aforementioned health facilities constitute the dependent variable. Each of the three sets of variables has been parameterized using specific metrics as shown in Figure 1. The framework further illustrates the hypothesized relationships between each of the predictor (independent) variables and the outcome (dependent) variable. The foregoing relationships were further presumed to be confounded by the County Government policies which regulated the budgetary process and utilization of budgeted funds. This means that there was a likelihood that the relationship between budgetary allocations and financial sustainability of public health facilities in Kenya was likely to be subject to how the allocated funds were utilized in order to address recurrent and/or development expenditure.
Effects of budgetary allocations on financial sustainability of public health facilities in Nakuru West sub-county, Kenya

Financial sources
- Government funding
- Debt
- Donor funding

Budgetary Allocation Criteria
- Criteria on funds availability
- Criteria on essential drugs
- Staff remuneration criteria

Stakeholder involvement
- Level of participation
- Number of stakeholders involved
- Internal stakeholders

Budgetary variance
- Amount requested
- Amount allocated
- Amount disbursed

Financial sources

Financial Sustainability
- Revenue generated
- Funding sustenance
- Financial autonomy

Stakeholder involvement

County Government Policies

Independent Variables

Dependent Variable

Intervening Variable

Figure 1: Conceptual Framework
METHODOLOGY

The study employed descriptive research design. The choice of this design was founded on the fact that the study involved observing and describing the various elements characterizing budgetary allocation, and also financial sustainability of public health facilities without influencing the phenomena being examined. In addition to the descriptive design, the study adopted quantitative approach. According to Creswell (2009), quantitative method is associated with numerical data. Consequently, its adoption was informed by the object of the study to collect numerical data in respect of both budgetary allocations and financial sustainability of the aforementioned health facilities. The study was conducted in Nakuru West Sub-County which is one of the 11 sub-counties in the greater Nakuru County, Kenya. The health facilities in this Sub-County were the point of focus. The target population included finance, accounting, and management staff working in the public health sector in Kenya. The study population comprising of a total of 147 finance, accounting and management staff working with public health facilities in Nakuru West Sub-County warranted sampling. A sample of 73 respondents was obtained from the study population using stratified random sampling technique. Primary data which was quantitative in nature, were collected using structured questionnaires.

FINDINGS AND DISCUSSION

Response Rate

The unit of analysis constituted a total of 73 respondents. The questionnaires that were collected from respondents having been filled with accordance to the stipulated instructions were 54 in number. The foregoing translated to 73.97% response rate. This was considered adequate for the study because it was above the recommended response rate threshold in survey studies (Nulty, 2008).

Correlation Analysis

Correlation is used to show the relationship between two variables. Correlation coefficient which ranges from -1.0 to 1.0 is used to determine the direction of the relationship between relative movements of two variables while p-values are employed to test the significance of the
mentioned relationships. The results of Spearman’s rank correlation coefficient are presented in Table 1. The results rank the strength and significance of the relationships between each of the constructs defining budgetary allocations (financial sources, budgetary allocation criteria, stakeholder involvement, and budgetary variance) and financial sustainability of public health facilities in Nakuru West Sub-County, Kenya.

Table 1: Spearman Rank Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>SI</th>
<th>FS</th>
<th>BV</th>
<th>BAC</th>
<th>FS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spearman's rho</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SI</td>
<td>FS</td>
<td>BV</td>
<td>BAC</td>
<td>FS</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.432**</td>
<td>.270*</td>
<td>.459**</td>
<td>.685**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.001</td>
<td>.049</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>FS</td>
<td>FS</td>
<td>BV</td>
<td>BAC</td>
<td>FS</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.432**</td>
<td>1.000</td>
<td>.351**</td>
<td>.060</td>
<td>.590**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.001</td>
<td>.009</td>
<td>.664</td>
<td>.623</td>
</tr>
<tr>
<td></td>
<td>BV</td>
<td>BV</td>
<td>BV</td>
<td>BAC</td>
<td>FS</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.270*</td>
<td>.351**</td>
<td>1.000</td>
<td>.068</td>
<td>.483**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.049</td>
<td>.009</td>
<td>.623</td>
<td>.173</td>
</tr>
<tr>
<td></td>
<td>BAC</td>
<td>BAC</td>
<td>BAC</td>
<td>BAC</td>
<td>FS</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.459**</td>
<td>.060</td>
<td>.068</td>
<td>1.000</td>
<td>.173</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.664</td>
<td>.623</td>
<td>.173</td>
<td>.211</td>
</tr>
<tr>
<td></td>
<td>FS</td>
<td>FS</td>
<td>FS</td>
<td>FS</td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.685**</td>
<td>.590**</td>
<td>.483**</td>
<td>.173</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.664</td>
<td>.623</td>
<td>.211</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
</tr>
</tbody>
</table>

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

*. Correlation is significant at the 0.05 level (2-tailed).

Key:

SI = Stakeholders Involvement; FS = Financial Sources; BV = Budgetary Variance; BAC = Budgetary Allocation Criteria; FS = Financial Sustainability

The results as shown in Table 1 revealed that financial sources had a positive, moderately strong and statistically significant relationship with financial sustainability (r = 0.590; p < 0.05) at 95% confidence level. The results showed that as financial sources were increased, there was a likelihood to moderately enhance the financial sustainability of the surveyed public health facilities.
facilities. The reverse of the foregoing was equally true. In other words, the origin of the hospital funds, whether from government kitty or user charges, moderately determined financial sustainability of the aforementioned facilities in Nakuru West Sub-County. These results supported findings in a past study conducted in Nigeria which underpinned the importance of financial sources in ensuring success of healthcare financial system in the country (Uzochukwu et al., 2015).

The results further indicated that there existed a weak, positive and not statistically significant relationship between budgetary allocation criteria and financial sustainability ($r = 0.173; p > 0.05$). The interpretation of these results was that, as the criteria of budgetary allocation were enhance, there was minimal likelihood to positively change the financial sustainability of the surveyed health facilities. As such, it can be deduced that the criteria used to allocate the funds at the surveyed hospitals was likely to influence the financial sustainability of these hospitals only marginally. However, the influence would be inconsequential. Yet, budgetary allocation criteria should not be wished away as long as there is a likelihood of enhancing financial sustainability.

In reference to budgetary allocation, the foregoing findings concurred with observations made in a study conducted by Ehikoya and Mohammed (2013) which had indicated that budgetary allocation criteria encapsulating the budgeted amount did not reflect on betterment of health status of the country.

There was a positive, strong and statistically significant relationship between stakeholder involvement and financial sustainability ($r = 0.685; p < 0.05$). Impliedly, there was a great and substantive likelihood that involving pertinent stakeholders would enhance financial sustainability of surveyed health facilities. As such, the health facilities ought to involve all stakeholders particularly in the budgeting process of the health facilities in order to enhance the institutions’ financial sustainability. Though several past studies (Shayo, 2013; Barasa et al., 2017; Waithaka et al., 2018) addressed the subject of stakeholder involvement in the budgetary process in the health sector, they fell short of relating the stated involvement to financial sustainability of public health facilities. The foregoing gap has, however, been addressed by the present study.
The relationship between budgetary variance and financial sustainability was established to be positive, moderately strong and statistically significant \( (r = 0.483; \ p < 0.05) \). The foregoing results meant that there was a moderate chance of enhancing financial sustainability through budgetary variance. That is, ensuring that the amount requested, disbursed and allocated is spent and spent prudently was bound to significantly improve financial sustainability of the surveyed health facilities in Nakuru West Sub-County. This study has bridged the gap which had been left out by past local studies in relation to both budgetary variance and financial sustainability of public health facilities in Kenya. These studies had looked into the genesis of budgetary variance (Kamau et al., 2017), and budget variance analysis (Mbothu, 2012).

**Regression Analysis**

The Ordinal Least Squares (OLS) method was employed to linearly regress budgetary allocations against financial sustainability of public health facilities in Nakuru West Sub-County.

**Regression Weights for Overall Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.785&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.616</td>
<td>.585</td>
<td>.45449</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Financial sources, Budgetary allocation criteria, Stakeholders involvement, Budgetary variance

The results shown revealed that the general relationship between all aspects defining budgetary allocations and financial sustainability was positive and strong \( (R = 0.785) \). The results further indicate the coefficient of determination \( (R^2 = 0.585) \) which was used to determine the contribution of budgetary allocations (financial sources, budgetary allocation criteria, stakeholder involvement, and budgetary variance) on financial sustainability. It was established that budgetary allocations explained 58.5% variance in financial sustainability of the surveyed public health facilities in Nakuru West Sub-County. The remaining 41.5% was as a result of other factors not investigated by the current study. Such factors could be financial prudence or financial management amongst others. The foregoing results of both \( R \) and \( R^2 \) underpinned the important role played by budgetary allocation criteria in ensuring financial sustainability of public health facilities in the aforesaid Sub-County and Kenya at large.
Significant Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>16.265</td>
<td>4</td>
<td>4.066</td>
<td>19.686</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>10.121</td>
<td>49</td>
<td>.207</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>26.387</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Budgetary Variance, Budgetary Allocation Criteria, Financial Sources, Stakeholders Involvement

b. Dependent Variable: Financial sustainability

The analysis of variance results are used to test the significance or assess the suitability of the regression model adopted by a study. As indicated, the effect of budgetary variance, budgetary allocation criteria, financial sources and stakeholder involvement on financial sustainability of surveyed health facilities was established to be positive and statistically significant (F = 19.686; p < 0.05). Therefore, the regression model, \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \) adopted by the study was found to be significant and thus appropriate in determining the influence of budgetary allocations on financial sustainability of public health facilities in Nakuru West Sub-County.

Results for Overall Model

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.008</td>
<td>.754</td>
<td>-.011</td>
</tr>
<tr>
<td>Financial Sources</td>
<td>.372</td>
<td>.148</td>
<td>.254</td>
</tr>
<tr>
<td>Budgetary Allocation Criteria</td>
<td>-.220</td>
<td>.181</td>
<td>-.128</td>
</tr>
<tr>
<td>Stakeholder Involvement</td>
<td>.666</td>
<td>.124</td>
<td>.618</td>
</tr>
</tbody>
</table>
Budgetary variance | .267 | .128 | .194 | 2.085 | .042 | .901 | 1.110

a. Dependent Variable: Financial Sustainability

As illustrated, diagnostic tests were conducted to determine the extent of multicollinearity problem arising from interactions of predictor variables. This was measure using the Variance Inflated Factor (VIF) which is a reciprocal of Tolerance level. The recommended or acceptable threshold is VIF < 10.000. It is evident that none of the explanatory variables (financial sources, budgetary allocation criteria, stakeholder involvement, and budgetary variance) occasioned serious multicollinearity problems (VIF < 10).

The regression model used is illustrated below.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where

\( Y = \) Financial Sustainability; \( \beta_0 = \) Constant; \( X_1 = \) Financial Sources; \( X_2 = \) Budgetary Allocation Criteria; \( X_3 = \) Stakeholder Involvement; \( X_4 = \) Budgetary Variance; \( \epsilon = \) Error term; \( \beta_1, \beta_2, \beta_3, \beta_4 = \) Regression Coefficients of Predictor Variables

The model was substituted as follows:

\[ Y = -0.008 + 0.372X_1 - 0.220X_2 + 0.666X_3 + 0.267X_4 \]

Therefore, it was revealed that a unit change in financial sustainability of public health facilities was subject to 0.372 unit change in financial sources, -0.220 unit variation in budgetary allocation criteria, 0.666 unit change in stakeholder involvement and 0.267 unit change in budgetary variance while other factors were held constant. In addition, it was established that the effect of financial sources on financial sustainability was statistically significant \((t = 2.512; p < 0.05)\). It was deduced that the sources of funds were crucial in enhancing financial sustainability of the surveyed health facilities. It was further noted that the effect of budgetary allocation criteria on financial sustainability was not statistically significant \((t = -1.216; p > 0.05)\). The results were interpreted to meant that the methods of allocating the budgeted funds did not substantially determine financial sustainability of the aforementioned health facilities. Indeed, the current methods only served to negate the financial sustainabiliy \((\beta_2 = -0.220)\). This could
be attributed to prioritizing allocation of funds to recurrent expenditure which reduces financial sustainability of public health facilities. Moreover, the study established that stakeholder involvement had a statistically significant effect on financial sustainability \( (t = 5.392; p < 0.05) \). Involving key stakeholders was thus paramount in enhancing financial sustainability of the health facilities. It was also revealed that the effect of budgetary variance on financial sustainability was statistically significant \( (t = 2.085; p < 0.05) \). Therefore, budgetary variance was found to be vital in ensuring financial sustainability of public health facilities in Nakuru West Sub-County. Stakeholder involvement was noted to be the most important among the surveyed facets of budgetary allocations. Moreover, it is critical to note that budgetary allocations was generally established to play a very crucial role in determining the financial sustainability of public health facilities in the aforementioned administrative jurisdiction.

The null hypotheses were tested at 95\% confidence level \( (p\text{-value} = 0.05) \).

\( H_01 \): There is no statistically significant effect of financial sources on financial sustainability of public health facilities in Nakuru West Sub-County. The effect was statistically significant \( (t = 2.512; p < 0.05) \). Therefore, the null hypothesis was rejected and the alternate hypothesis taken to be true.

\( H_02 \): There is no statistically significant effect of budgetary allocation criteria on financial sustainability of public health facilities in Nakuru West Sub-County. The effect was not statistically significant \( (t = -1.216; p > 0.05) \). Therefore, the null hypothesis was not rejected; rather, it was considered to be true.

\( H_03 \): There is no statistically significant effect of stakeholder involvement on financial sustainability of public health facilities in Nakuru West Sub-County. The effect was statistically significant \( (t = 5.392; p < 0.05) \). Thus, the null hypothesis was rejected.

\( H_04 \): There is no statistically significant effect of budgetary variance on financial sustainability of public health facilities in Nakuru West Sub-County. The effect was statistically significant \( (t = 2.085; p < 0.05) \). Therefore, the null hypothesis was rejected.
CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concluded that only a small percentage of the national government’s budget is allocated to devolved health facilities. However, the largest proportion of the funds available to these facilities are concluded to be sourced from the county government. The study concluded that financial sources were crucial to financial sustainability of the studied health facilities. The study concluded that funds availability was the most important budgetary allocation criterion. The budget for essential drugs and medical equipment was highly prioritized. The size of the hospitals was least prioritized in determining the allocated amount. The study further inferred that the location of the health facilities was considered when doing budgetary allocation. Though budgetary allocation criteria would result insignificant financial sustainability, it was considered vital in prioritizing most important areas in the operations of the health facilities.

The study concluded that was limited level of stakeholder involvement in budgetary allocation in the hospitals. In addition, internal stakeholders were fully involved in the budgetary allocation process but only few stakeholders participated in budgetary allocation in the hospitals. Stakeholder involvement was concluded to be fundamentally essential in financial sustainability of the health facilities in Nakuru West Sub-County. As such, the surveyed health facilities ought to consider involving all the key stakeholders to ensure financial sustainability. It was inferred that the health facilities had sound budget planning mechanisms. It was also noted that that the expenditure in public health facilities was usually higher than the disbursed amounts. Notably, there were effective strategies laid down to address budgetary variance in the institutions. The study also concluded that the surveyed health facilities rarely conducted budget variance analysis. Budget variance was noted critical in enhancing financial sustainability of the hospitals.

Recommendations

The study recommended that the health facilities should keep track of the amounts borrowed in order to avoid going into financial distress. The facilities should strike a balance between the amount borrowed and that received from both the national and county governments. There should be financial prudence at the facilities in order to ensure financial sustainability and
sustained service delivery. It is also recommended that the management of health facilities should come up with priority areas to allocate funds received or generated. This is important in enabling accountability of funds and identifying areas underfunded.

Stakeholder involvement was noted to be the most important in influencing financial sustainability of the health facilities. It was recommended that all the key stakeholders be involved and engaged in budgetary allocation process. The interests of the stakeholders ought to be aligned to avoid conflict of interest which may be detrimental to the financial sustainability of the health facilities. Decisions such as pricing of health care services and sourcing borrowed funds ought to be deliberated by key stakeholders with the intent of ensuring financial sustainability and service delivery. It is recommended that that the health facilities uphold the sound budget planning mechanisms. Negative budget variances should be addressed with the object of ensuring that the facilities operate with compromising the quality of health services offered. The management of surveyed health facilities should try to lobby for funds from donors by liaising with county and national governments. The facilities should design other income generating activities to supplement their revenue.

REFERENCES


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