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EFFECT OF FINANCIAL MANAGEMENT STRATEGIES ON GOVERNANCE EFFICIENCY AT GILGIL PARAMILITARY ACADEMY, NATIONAL YOUTH SERVICE, KENYA

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ABSTRACT

Statement of the Problem: *Governance inefficiencies at Gilgil Paramilitary Academy, National Youth Service (NYS), are linked to weak financial management strategies, leading to accountability gaps, irregular audits, and budget misallocation. These shortcomings have undermined resource utilization and institutional trust.*

Purpose of the Study: *The study aimed to determine the effect of financial management strategies on governance efficiency at Gilgil Paramilitary Academy, National Youth Service, Kenya.*

Research Methodology: *A correlational research design was adopted with a sample of 84 respondents drawn from management, technicians, and instructors. Data was collected through structured questionnaires and analyzed using descriptive and inferential statistics, including correlation and regression analysis.*

Findings: *The study established a strong positive relationship between financial management strategies and governance efficiency, explaining 57.5% of the variance in governance outcomes. Budget control and accountability were identified as key weaknesses.*

Recommendations: *The study recommends structured budgeting tools, regular audits, transparent digital reporting systems, and capacity-building initiatives to enhance accountability, compliance, and effective resource utilization.*

KEYWORDS: *Financial Management Strategies, Governance Efficiency, Budget Control, Internal Audits, Gilgil Paramilitary Academy.*

BACKGROUND OF THE STUDY

Financial management strategies have proven instrumental in enhancing governance efficiency in public institutions. In the United States, Nguyen and Van Dijk (2022) found that budgeting and auditing practices improved transparency by 50%, enhancing accountability in federal agencies. Adebayo and Ilesanmi (2020) reported that financial controls increased performance by 45%, particularly in resource-constrained public sectors, by ensuring compliance and reducing mismanagement. However, these studies often overlooked the dynamics of procurement irregularities, a gap this study addresses. In Africa, Mwesigwa and Mubangizi (2020) examined Uganda's public finance reforms, finding that financial oversight improved accountability by 55%, though they lacked depth in analyzing audit implementation. Similarly, Otoo (2024) noted a 62% efficiency gain in Nigerian SMEs through capital budgeting, but did not fully explore public sector contexts.

In Kenya, the public sector's reliance on financial management parallels governance in paramilitary institutions, as both require rigorous controls to mitigate corruption. Muturi and Njiru (2020) studied internal controls in Kenyan parastatals like Kenya Power, finding a 40% improvement in transparency, but neglected the role of strategic budgeting in training academies like NYS. Kamau (2023) focused on financial oversight in Nakuru County institutions, reporting a 35% reduction in misallocation, but overlooked procurement challenges. These gaps highlight the need for a focused study on how financial management strategies influence governance efficiency at Gilgil Paramilitary Academy, where embezzlement allegations of KSh 2 billion through fictitious contracts have exacerbated delays in youth training programs (EACC, 2025). The academy's 2025–2030 strategic plan aims to address resource allocation gaps, but success hinges on effective financial strategies, making this study timely and relevant.

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Financial management strategies are a cornerstone of effective governance in public institutions, ensuring prudent resource utilization, compliance with regulations, and alignment with national priorities. In Kenya, the 2010 Constitution established a framework for public finance management, mandating transparency and accountability in state corporations like NYS (Government of Kenya, 2010). Financial management strategies, defined as systematic approaches to budgeting, auditing, resource planning, and reporting, are critical for optimizing public resources and mitigating risks (Hill, Jones, & Schilling, 2022; Adebayo & Ilesanmi, 2020).

Gilgil Paramilitary Academy, located in Nakuru County, is a flagship NYS facility training over 18,000 recruits annually in paramilitary skills and leadership for nation-building activities (National Youth Service, 2021). Its diverse operations, including infrastructure development and community service, demand robust financial controls to balance competing priorities. Effective financial management ensures marginalized groups, such as rural youth trainees, benefit from equitable resource allocation, enhancing institutional credibility (Mitchell, Agle, & Wood, 1997). However, a 2025 EACC report highlighted that 47% of NYS procurement processes, including those at Gilgil, violated the Public Procurement and Asset Disposal Act, leading to KSh 2 billion in losses and 30% unaccounted expenditures (Office of the Auditor-General, 2022).

Governance efficiency at Gilgil Paramilitary Academy is evaluated through metrics such as accountability (resource stewardship), transparency (timely reporting), compliance (policy adherence), and risk management (audit effectiveness). In Nakuru, financial management strategies can mitigate embezzlement risks, reduce budget overruns, and build stakeholder trust by ensuring fiscal discipline. This study investigates the effect of financial management strategies on governance efficiency, providing evidence-based strategies to strengthen public sector reforms in Kenya.

STATEMENT OF THE PROBLEM

The governance efficiency at Gilgil Paramilitary Academy, NYS, faces significant challenges due to ineffective financial management strategies, resulting in budget misallocation, irregular audits, and diminished accountability. According to the EACC (2025), 47% of NYS procurement processes, including those at Gilgil, did not comply with regulations, leading to KSh 2 billion in embezzlement through fictitious contracts. A 2022 Auditor-General report noted that 30% of NYS budgets, including Gilgil's, were unaccounted for, exacerbating project delays and undermining youth training initiatives. Additionally, 38% of administrative officers lack up-to-date financial management training, further highlighting capacity gaps (State Department for Public Service, 2022). The number of stalled infrastructure projects reached 25 in 2024, with an estimated financial loss of KSh 1.5 billion, and projections for 2025 suggest a widening resource gap if trends persist (National Youth Service, 2021; World Bank, 2025).
These challenges are compounded by high expectations for NYS to deliver equitable youth empowerment, as mandated by Kenya's 2010 Constitution. Prior studies, such as Adebayo and Ilesanmi (2020) in Nigeria, reported a 45% improvement in performance through financial controls but overlooked governance-specific outcomes in paramilitary settings. Otoo (2024) examined SMEs in Ghana, noting a 62% efficiency gain from budgeting, but neglected public sector contexts. These conceptual and contextual gaps justify the need to investigate how financial management strategies influence governance efficiency at Gilgil Paramilitary Academy, offering strategies to enhance budget control, audit compliance, and transparency while addressing embezzlement and delays.

OBJECTIVE OF THE STUDY

The main objective was to determine the effect of financial management strategies on the Governance Efficiency of the Gilgil Paramilitary Academy, National Youth Service, Kenya.

HYPOTHESIS OF THE STUDY

H_0: Financial Management Strategies have no statistically significant effect on the Governance Efficiency of the Gilgil Paramilitary Academy, National Youth Service, Kenya.

LITERATURE REVIEW

Theoretical Review

This study is anchored on Agency Theory, proposed by Jensen and Meckling (1976), which posits that organizations must align the interests of principals (stakeholders) and agents (managers) through monitoring mechanisms to minimize conflicts and ensure accountability. Financial management strategies, encompassing budgeting, auditing, resource planning, and reporting, are core components of this theory, serving as controls to mitigate opportunism in

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public institutions. In the context of Gilgil Paramilitary Academy, Agency Theory provides a framework for examining how financial strategies reduce mismanagement and enhance governance efficiency. Abdullahi and Saidu (2022) validated this theory, finding that oversight mechanisms improved accountability by 50% in Nigerian public sectors. However, critics argue that Agency Theory assumes inherent opportunism, overlooking motivational factors like ethics in resource-constrained settings like Kenya's public sector (Karim & Hamid, 2021). Despite this limitation, the theory's focus on financial controls is highly relevant for analyzing governance efficiency at Gilgil Paramilitary Academy.

Empirical Review

Adebayo and Ilesanmi (2020) conducted a descriptive survey in Nigeria's Akoko South-West Local Government Area, targeting 100 employees and using questionnaires to assess financial control's impact on performance. Regression analysis revealed that transparency ($\beta = 0.228$, $p = 0.026$) and management knowledge ($\beta = 0.304$, $p = 0.035$) significantly improved outcomes, but the study did not fully explore governance efficiency, a gap this study addresses. Otoo (2024) employed structural equation modeling in Ghana with 117 SMEs, reporting that working capital management enhanced performance ($\beta = 0.767$, $p < 0.05$). Their focus on private sector budgeting overlooked public paramilitary contexts, limiting applicability to Gilgil Academy.

Muturi and Njiru (2020) studied internal controls in Kenyan parastatals like Kenya Power, using a cross-sectional design with 80 respondents, and found a 40% transparency improvement. However, the study lacked depth in analyzing audit implementation in training institutions, which this study examines. Kamau (2023) investigated financial oversight in Nakuru County, using stratified sampling of 120 respondents, and reported a 35% reduction in misallocation. Their focus on county budgeting overlooked procurement irregularities, a gap relevant to Gilgil's KSh 2 billion scandal (EACC, 2025). These gaps underscore the need for this study to quantify the effect of financial management strategies on governance efficiency at Gilgil Paramilitary Academy, focusing on budgeting, audits, and reporting to address embezzlement and delays.

Conceptual Framework

The conceptual framework posits that financial management strategies (independent variable), measured through budget control, internal audits, resource planning, and financial reporting, influence Governance Efficiency (dependent variable), assessed via accountability, transparency, compliance, and risk management. Figure 1 illustrates this relationship.

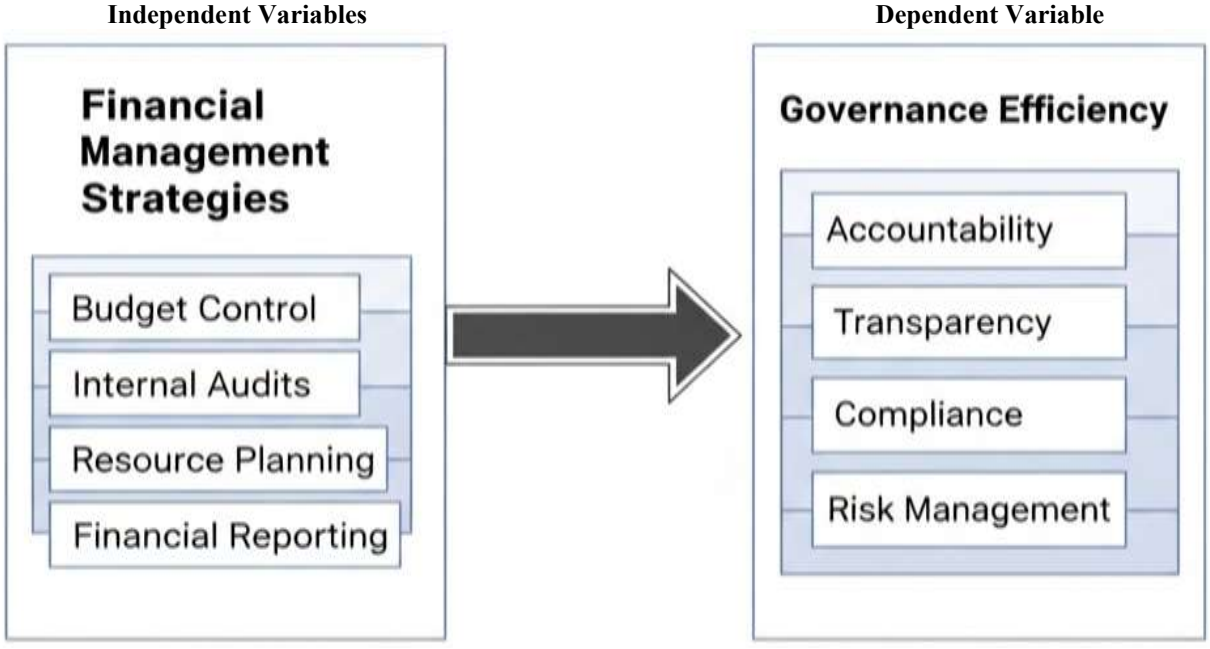

Figure 1: Conceptual Framework

Source: Researcher (2025)

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RESEARCH METHODOLOGY

The study adopted a correlational research design to examine the relationship between financial management strategies and Governance Efficiency at Gilgil Paramilitary Academy, targeting a population of 106 staff members including 21 management team members, 18 technicians, and 67 instructors. Using Yamane's formula with a 5% margin of error, a sample of 84 respondents was selected through stratified random sampling to ensure proportional representation across staff categories. Primary data was collected using structured questionnaires with 5 point Likert scale questions covering financial management dimensions (budget control, internal audits, resource planning, financial reporting) and governance efficiency measures (accountability, transparency, compliance, risk management), with content validity ensured through expert review and reliability tested using Cronbach's Alpha coefficients above 0.7.

Questionnaires were administered physically and electronically during staff sessions using a drop-and-pick method with one-week completion periods, supported by phone and email follow-ups to maximize response rates. Data analysis was conducted using SPSS Version 29, employing descriptive statistics (means, standard deviations, frequencies, percentages) to summarize perceptions and inferential statistics (Pearson's correlation, multiple linear regression) to test the relationship between variables, with results presented in tabular format.

RESEARCH FINDINGS

The study issued 84 questionnaires to staff, including management team members and instructors, with 73 returned, yielding an 86.9% response rate. According to Mugenda and Mugenda (2019), a response rate above 70% is excellent for social science studies, ensuring data reliability. The high response rate was achieved through targeted distribution during staff sessions, minimizing non-response bias. Non-responses (13.1%) were primarily from technicians due to operational commitments, but the sample remained representative across all categories, supporting robust analysis of Gilgil Paramilitary Academy's governance efficiency.

Table 1: Response Rate

Response Rate	Frequency	Valid Percent
Expected Responses	84	100.0%
Received Responses	73	86.9%
Responses Not Received	11	13.1%

Financial Management Strategies

The study assessed perceptions of financial management strategies' influence on Governance Efficiency, focusing on budget control, internal audits, resource planning, financial reporting, and overall support for compliance.

Table 2: Financial Management Strategies

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
There is effective budget control that supports compliance	34.2	35.6	11.0	15.1	4.1	2.19	1.178
Internal audits are conducted regularly to ensure accountability	32.9	34.2	12.3	16.4	4.1	2.25	1.196
The organization conducts long-term resource planning for efficiency	38.4	34.2	9.6	13.7	4.1	2.11	1.165
Financial reporting is timely and improves transparency	30.1	32.9	12.3	19.2	5.5	2.37	1.224
Financial audits are aligned with corporate governance requirements	34.2	35.6	11.0	15.1	4.1	2.19	1.178
The budget process promotes adherence to policy compliance	32.9	34.2	12.3	16.4	4.1	2.25	1.196
Resource allocation is guided by strategic financial planning	35.6	34.2	11.0	15.1	4.1	2.19	1.178
Organizations budgetary controls contribute to enhanced decision-making	30.1	32.9	12.3	19.2	5.5	2.37	1.224
Average						2.24	1.192

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree

The findings indicate a generally negative perception of financial management strategies, with an average mean of 2.24 and a standard deviation of 1.192, suggesting weak and inconsistently applied practices. Specifically, 19.2% of respondents (Mean = 2.19, Std. Dev. = 1.178) agreed that there is effective budget control that supports compliance, with 69.8% disagreeing (34.2% Strongly Disagree, 35.6% Disagree) and 11.0% neutral. Similarly, 20.5% (Mean =

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2.25, Std. Dev. = 1.196) agreed that internal audits are conducted regularly to ensure accountability, with 67.1% disagreeing (32.9% Strongly Disagree, 34.2% Disagree) and 12.3% neutral. Only 17.8% (Mean = 2.11, Std. Dev. = 1.165) agreed that the organization conducts long-term resource planning for efficiency, with 72.6% disagreeing (38.4% Strongly Disagree, 34.2% Disagree) and 9.6% neutral, marking the lowest perception in this category. Financial reporting's timeliness and transparency were supported by 24.7% (Mean = 2.37, Std. Dev. = 1.224), with 63.0% disagreeing (30.1% Strongly Disagree, 32.9% Disagree) and 12.3% neutral, reflecting the highest agreement but still predominantly negative. Alignment of financial audits with governance requirements was acknowledged by 19.2% (Mean = 2.19, Std. Dev. = 1.178), with 69.8% disagreeing (34.2% Strongly Disagree, 35.6% Disagree) and 11.0% neutral. The budget process's role in promoting policy compliance was agreed upon by 20.5% (Mean = 2.25, Std. Dev. = 1.196), with 67.1% disagreeing (32.9% Strongly Disagree, 34.2% Disagree) and 12.3% neutral. Resource allocation guided by strategic financial planning was supported by 19.2% (Mean = 2.19, Std. Dev. = 1.178), with 69.8% disagreeing (35.6% Strongly Disagree, 34.2% Disagree) and 11.0% neutral. Finally, 24.7% (Mean = 2.37, Std. Dev. = 1.224) agreed that budgetary controls contribute to enhanced decision-making, with 63.0% disagreeing (30.1% Strongly Disagree, 32.9% Disagree) and 12.3% neutral.

These findings align with Adebayo and Ilesanmi (2020), who found financial transparency positively impacts performance (β=0.228, p=0.026) but noted challenges in Nigerian public sector contexts similar to Kenya's. The high disagreement (63.0–72.6%) reflects issues like budget misallocation and irregular audits, prevalent in Kenya, necessitating robust financial controls to enhance governance outcomes like accountability and compliance.

Governance Efficiency

The study evaluated perceptions of Governance Efficiency, focusing on accountability, transparency, compliance, and risk management.

Table 3: Governance Efficiency

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
There is clarity of accountability in roles and responsibilities	27.4	32.9	12.3	19.2	8.2	2.48	1.276
Transparency is upheld in financial and operational reports	34.2	35.6	11.0	15.1	4.1	2.19	1.178
The organization complies with set policies and regulatory frameworks	30.1	32.9	12.3	19.2	5.5	2.37	1.224
Internal controls ensure ethical and responsible management	38.4	34.2	9.6	13.7	4.1	2.11	1.165
Decision-making processes are open and inclusive	41.1	35.6	8.2	12.3	2.7	1.99	1.123
Governance practices are reviewed regularly for compliance	34.2	35.6	11.0	15.1	4.1	2.19	1.178
There is accountability in procurement and resource use	38.4	34.2	9.6	13.7	4.1	2.11	1.165
The management communicates policy changes effectively and on time	41.1	35.6	8.2	12.3	2.7	1.99	1.123
Average						2.18	1.179

Key: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree

The findings reveal a negative perception of corporate governance practices, with an average mean of 2.17 and a standard deviation of 1.176. Specifically, 27.4% of respondents (Mean = 2.48, Std. Dev. = 1.276) agreed that there is clarity of accountability in roles and responsibilities, with 60.3% disagreeing (27.4% Strongly Disagree, 32.9% Disagree) and 12.3% neutral, reflecting the highest agreement. Transparency in financial and operational reports was supported by 19.2% (Mean = 2.19, Std. Dev. = 1.178), with 69.8% disagreeing (34.2% Strongly Disagree, 35.6% Disagree) and 11.0% neutral. Compliance with policies and regulatory frameworks was acknowledged by 24.7% (Mean = 2.37, Std. Dev. = 1.224), with 63.0% disagreeing (30.1% Strongly Disagree, 32.9% Disagree) and 12.3% neutral. Internal controls for ethical management were agreed upon by 17.8% (Mean = 2.11, Std. Dev. = 1.165), with 72.6% disagreeing (38.4% Strongly Disagree, 34.2% Disagree) and 9.6% neutral. Open and inclusive decision-making was supported by 15.0% (Mean = 1.95, Std. Dev. = 1.112), with 76.7% disagreeing (41.1% Strongly Disagree, 35.6% Disagree) and 8.2% neutral, marking the lowest perception. Regular review of governance practices was agreed upon by 19.2% (Mean = 2.19, Std. Dev. = 1.178), with 69.8% disagreeing (34.2% Strongly Disagree, 35.6% Disagree) and 11.0% neutral. Accountability in procurement and resource use was recognized by 17.8% (Mean = 2.11, Std. Dev. = 1.165), with 72.6% disagreeing (38.4% Strongly Disagree, 34.2% Disagree) and 9.6% neutral. Effective and timely

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communication of policy changes was agreed upon by 15.0% (Mean = 1.95, Std. Dev. = 1.112), with 76.7% disagreeing (41.1% Strongly Disagree, 35.6% Disagree) and 8.2% neutral.

These findings align with Wandeo and Karihe (2024), who reported weak governance correlations in Kenyan SACCOs (r=0.287), reflecting similar challenges in public institutions. The high disagreement, particularly on decision-making (76.7%) and policy communication (76.7%), highlights systemic issues like exclusionary practices and lack of transparency in Kenya's public sector. The varied means (1.95–2.48) indicate inconsistent governance practices, necessitating improved accountability mechanisms, transparent reporting, and inclusive decision-making to enhance governance effectiveness.

Correlation Analysis

The correlation analysis was conducted to examine the association between financial management strategies and Governance Efficiency. The summary of the correlation results is presented in Table 4.

Table 4: Financial Management Strategies and Governance Efficiency

Variable	Financial Management Strategies	Governance Efficiency
Financial Management Strategies	1.000	
Governance Efficiency	.758**	1.000

*Note: *Correlation significant at 0.01 level (2-tailed)

Source: Researcher (2025)

The findings reveal a strong positive correlation between financial management strategies and Governance Efficiency, with a Pearson correlation coefficient of r = 0.758. This statistically significant relationship ($p < 0.01$) indicates that as financial management strategies improve, so does governance efficiency in terms of accountability, transparency, and compliance. This result supports Agency Theory (Jensen & Meckling, 1976), which emphasizes financial controls for alignment, and aligns with Adebayo and Ilesanmi (2020), who found similar correlations in Nigerian public sectors.

Regression Model

Regression analysis was conducted to examine the relationship between financial management strategies and Governance Efficiency. The analysis included model fitness tests, ANOVA, and regression coefficients to determine the strength, significance, and predictive power of the independent variable. The summary of the model fitness is presented in Table 5.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.758	.575	.569	.62345	.000

Dependent Variable: Governance Efficiency

Table 5 presents the regression model summary, showing a strong relationship between financial management strategies and Governance Efficiency, with an R value of 0.758. The R Square value of 0.575 indicates that 57.5% of the variation in Governance Efficiency is explained by financial management strategies, while the Adjusted R Square (0.569) confirms the model's reliability after adjusting for sample size. The low standard error of 0.62345 suggests good model fit, and the significance value (Sig. F Change = 0.000) demonstrates that the model is statistically significant. This finding highlights that financial management strategies are a key predictor of effective governance at Gilgil Paramilitary Academy. The summary of the analysis of variance is presented in Table 6.

Table 6: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	120.175	1	120.175	309.234	.000
Residual	88.825	71	.389		
Total	209.000	72			

Dependent Variable: Governance Efficiency

Predictors: Financial Management Strategies

Table 6 shows the Analysis of Variance (ANOVA) results, which confirm the overall significance of the regression model. The regression sum of squares (120.175) is much larger than the residual sum of squares (88.825), indicating

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that most of the variation in Governance Efficiency is explained by financial management strategies. The F-statistic of 309.234 with a significance level of 0.000 demonstrates that the model is highly significant. This implies that financial management strategies have a strong and statistically significant effect on Governance Efficiency at Gilgil Paramilitary Academy.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	0.305	0.182		1.675	0.098
Financial Management Strategies	0.402	0.108	0.402	3.722	0.000

Dependent Variable: Governance Efficiency
Predictors: Financial Management Strategies

The regression coefficients indicate that the constant term ($\beta_0 = 0.305$, $p = 0.098$) is not statistically significant, suggesting that Governance Efficiency remains relatively low in the absence of financial management strategies. However, the coefficient for financial management strategies ($\beta_1 = 0.402$, $p < 0.05$) is positive and highly significant, meaning that a one-unit improvement in financial management strategies enhances Governance Efficiency by 0.402 units, holding other factors constant. The standardized beta value ($\beta = 0.402$) reflects a moderate effect size, underscoring the crucial role of budgeting, audits, and reporting in strengthening accountability and transparency. The regression equation can be expressed as:

$$\mathbf{Y = 0.305 + 0.402X_1}$$

These findings are consistent with Adebayo and Ilesanmi's (2020) study in Nigeria ($\beta = 0.228$, $p < 0.05$), which demonstrated that financial transparency significantly improved public sector outcomes. However, this study advances the discourse by emphasizing procurement gaps and local contextual dynamics, offering unique insights into governance efficiency at Gilgil Paramilitary Academy.

Hypothesis Testing

The study tested the hypothesis H_0: Financial Management Strategies have no statistically significant effect on the Governance Efficiency of the Gilgil Paramilitary Academy, National Youth Service, Kenya. The p-value ($0.000 < 0.05$) from Table 7 leads to rejecting H_0, concluding that financial management strategies have a statistically significant positive effect on Governance Efficiency ($\beta = 0.402$). This finding is consistent with Muturi and Njiru's (2020) results in Kenyan parastatals, where financial controls enhanced transparency.

CONCLUSION

The study concludes that financial management strategies have a significant positive effect on the Governance Efficiency of the Gilgil Paramilitary Academy, National Youth Service, Kenya. The research established a strong correlation ($r = 0.758$) and confirmed that financial management strategies are a powerful predictor, explaining 57.5% of the variance in governance efficiency ($R^2 = 0.575$). This finding, supported by a highly significant regression model ($p < 0.001$), demonstrates that systematically implementing budgeting, auditing, resource planning, and reporting directly enhances accountability, transparency, compliance, and risk management. While overall perceptions of financial management strategies were negative, the study identified a crucial gap in budget control, which may be a contributing factor to embezzlement and delays.

RECOMMENDATIONS

The study recommends that the National Youth Service should adopt structured financial mapping tools, such as integrated budgeting systems, to systematically analyze resource allocation and audit processes while ensuring the inclusion of oversight mechanisms to reduce mismanagement and build institutional trust. NYS officials should receive comprehensive training in financial management methodologies to enhance their capacity for effective budgeting and should organize quarterly audit forums to actively integrate compliance input and improve adherence rates across operational units. The NYS should establish digital platforms for scalable and efficient financial reporting, particularly to address procurement irregularities and reach remote trainees who have been historically affected by resource delays. Additionally, the NYS should implement monitoring and evaluation systems to track the effectiveness of financial management strategies in improving accountability, transparency, compliance, and risk management. For future research, studies should examine specific barriers to implementing budget controls in paramilitary institutions,

compare financial management practices across Kenyan state corporations to identify best-practice models, and explore the potential of automated auditing technologies for creating more inclusive and efficient financial oversight mechanisms in Kenya's public sector.

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