
**Facility Improvement Fund and Financial Performance of Public Hospitals in
Nyamira County, Kenya**

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Abstract:

Purpose: The study aimed to examine the relationship between the Facility Improvement Fund (FIF) and the financial performance of public hospitals in Nyamira County, Kenya.

Material/methods: A descriptive research design was adopted. Data were collected using structured questionnaires administered to hospital management staff, who possess direct experience in fund allocation, accountability, medical equipment acquisition, and monitoring processes. The study targeted 112 employees across one county referral hospital and eight sub-county hospitals, in line with data from the Ministry of Health (MOH, 2021). Descriptive statistics were used to summarize respondents' perceptions, while regression analysis was conducted to determine the effect of FIF components on financial performance.

Findings: Descriptive results indicated that respondents largely agreed that timely fund allocation, strong accountability mechanisms, strategic acquisition of medical equipment, and consistent fund monitoring positively impact financial performance. Regression analysis confirmed that both fund allocation and accountability mechanisms had a positive and statistically significant effect on the financial performance of public hospitals.

Conclusion: The study concludes that effective facility fund management practices are critical for enhancing the financial performance and operational capacity of public hospitals in Nyamira County. Strengthening these practices is vital for ensuring sustainable healthcare service delivery.

Value: This study provides empirical evidence on the financial implications of Facility Improvement Fund management in the public health sector. It offers actionable recommendations for policymakers and hospital administrators to enhance financial governance, improve resource allocation, and promote institutional accountability.

Keywords: Facility Improvement Fund, Financial Performance, Public Hospitals, Facility Fund Allocation, Accountability Mechanisms

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1.1. Introduction

Public hospitals worldwide face profound financial pressures as they strive to deliver high-quality care amidst constrained budgets and rising demand. In many low- and middle-income countries, limited government allocations and inefficient use of internally generated revenues exacerbate resource shortfalls, directly impacting service availability and quality (WHO, 2020). This has driven the adoption of facility-level financing mechanisms—such as earmarked improvement funds, performance-based financing, and strategic purchasing—that aim to strengthen accountability, optimize fund utilization, and incentivize better clinical and financial outcomes.

Globally, innovative financing models have demonstrated the potential to bolster hospital performance. Rwanda's Performance-Based Financing (PBF) program links disbursements to clearly defined service targets, yielding measurable gains in both efficiency and quality of care (Gertler et al., 2014). Thailand's Universal Coverage Scheme leverages strategic purchasing and rigorous fund monitoring to ensure timely payments to facilities, which has enhanced financial stewardship and patient outcomes (Tangcharoensathien et al., 2018). In high-income nations like the United Kingdom and Canada, robust national insurance schemes and stringent audit frameworks further illustrate how disciplined fund allocation and transparency correlate with reduced waste and improved institutional sustainability (OECD, 2019).

In Sub-Saharan Africa, however, facility financing remains hampered by weak oversight and chronic under-resourcing. Kenya's Facility Improvement Funds (FIFs) were introduced to decentralize and ring-fence health facility revenues, yet evaluations reveal persistent gaps in accountability, financial management skills among hospital managers, and monitoring systems (Tsofa et al., 2017; Barasa et al., 2017). Similar challenges are evident across the region: despite policy commitments like the Abuja Declaration's 15% budget target for health, actual government health spending lags well below this benchmark, leaving patients to shoulder up to 90% of care costs in some countries and undermining equitable access (Schindler, 2011; IFC, 2017).

Kenya's health financing landscape is characterized by multiple, unevenly distributed funding streams—tax revenues, donor grants, insurance reimbursements, and user fees—with secondary and tertiary facilities capturing the lion's share of expenditures at the expense of primary care (MoH, 2017). Out-of-pocket payments remain high, particularly for low-income households, and recurrent under-investment in facility maintenance and infrastructure constrains service delivery. Although policy reforms have sought to strengthen equity and efficiency—through measures like the National Primary Health Care Development Fund—implementation has been uneven, and many rural facilities continue to operate below capacity (Chuma & Okungu, 2011; GoK, 2004).

Within Kenya's devolved health system, Nyamira County exemplifies these tensions. County health plans report that over half of its public hospitals struggle with cash-flow shortfalls, delayed supplier payments, and dilapidated infrastructure, limiting their ability to generate and retain revenue (CIDP, 2023–2027). While studies in urban contexts such as Nairobi and Mombasa link infrastructural investments to improved hospital performance (Muriithi, 2017; Mutinda et al., 2020), little is known about how targeted facility improvement funding influences financial outcomes in predominantly rural counties like Nyamira, where service demand and fiscal capacity differ markedly.

This study addresses that gap by examining the relationship between Facility Improvement Funds—encompassing budgeting practices, infrastructural upgrades, and enhanced fund utilization—and financial performance indicators in Nyamira County's public hospitals. By generating empirical evidence on how such investments affect revenue generation, cost containment, and service continuity in a rural Kenyan setting, the findings aim to inform county-level policy, guide resource allocation, and contribute to broader efforts to achieve sustainable, high-performance health systems under Kenya's Universal Health Coverage agenda.

1.2. Theoretical Review

The Resource-Based View (RBV) theory, popularized by Barney (1991), posits that an organization's internal resources tangible and intangible are critical for achieving competitive advantage and superior performance. In the context of public hospitals, facility funds are essential resources that, when allocated and utilized efficiently, can enhance financial performance. RBV suggests that hospitals with better control, allocation, and use of resources such as medical equipment and operational funding are more likely to be financially sustainable. Previous studies have employed the RBV theory to examine resource utilization in the health sector. For instance, Wanjiru (2020) used RBV to assess how internal financial resources and medical asset management influence the performance of county hospitals in Kenya. The study concluded that resource availability and effective internal control systems significantly enhanced institutional output and financial efficiency.

Agency Theory, introduced by Jensen and Meckling (1976), explains the relationship between principals (such as the government or donors) and agents (hospital managers or administrators). It highlights the problem of misaligned interests and the need for monitoring mechanisms to ensure agents act in the best interests of principals. In public hospitals, facility fund managers are expected to use allocated resources transparently and efficiently to enhance financial performance. This theory has been widely used in public finance research. A study by Otieno and Kariuki (2019) applied Agency Theory to analyze fund accountability mechanisms in devolved health systems in Kenya. The findings showed that poor monitoring and lack of stakeholder oversight often lead to misuse of facility funds, thereby undermining financial performance. Strengthening audit systems and enhancing transparency were recommended to mitigate agency problems.

1.3. Conceptual Framework

The conceptual framework of this study is based on the relationship between Facility improvement fund and the financial performance of public hospitals.

Independent Variables Variable

Dependent

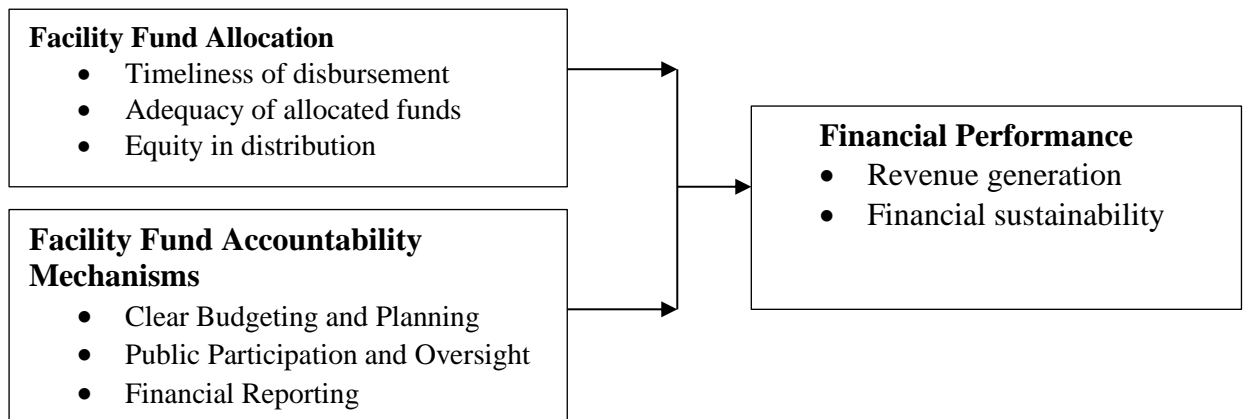


Figure 2. 1: Conceptual Framework

2.1. Empirical Review

2.1.1 Facility Fund Allocation and Financial Performance

Several empirical studies have investigated the relationship between Facility Fund Allocation and the financial performance of public healthcare institutions, highlighting the crucial role of effective financial resource distribution in achieving sustainability and operational efficiency. Kariuki & Wanjala (2018) conducted a study on public hospitals in Nairobi County, Kenya, which revealed that proper allocation of facility funds significantly influenced the financial outcomes of healthcare institutions. Their findings showed that hospitals that systematically allocated funds towards critical areas such as infrastructure development, maintenance, and equipment acquisition reported higher revenue generation and improved cost control compared to those that did not prioritize fund allocation. A study by Ouma (2017) focusing on district hospitals in Uganda established that strategic utilization of facility funds to essential services led to better service delivery and increased patient inflows, which in turn boosted financial performance. Ouma emphasized that when hospitals invested more in facility upgrades and essential supplies, they became more attractive to patients, enhancing their revenue streams.

In Kenya, Mutua and Muriuki (2020) analyzed the financial performance of county referral hospitals in Meru and found a positive correlation between Facility Fund Allocation and financial sustainability. Their study concluded that hospitals that consistently allocated sufficient funds to infrastructure development and staff capacity building reported not only higher revenues but also reduced operational costs, thereby improving overall financial stability. Moreover, international studies have echoed similar findings. For instance, research by Tan and Goh (2019) in Malaysia found that healthcare institutions that implemented structured fund allocation systems experienced better financial results. Their study noted that hospitals that prioritized maintenance, technological upgrades, and training through appropriate fund allocation had stronger financial outcomes than those with ad-hoc or politically influenced fund distribution. However, not all studies report straightforward positive relationships. A study by Njoroge (2021) in Machakos County cautioned that while fund allocation is critical, the mere availability of funds does not automatically lead to improved financial performance. Instead, effective fund utilization, monitoring, and accountability mechanisms must accompany the allocation to realize the intended financial benefits.

Njoroge's findings highlighted cases where mismanagement and poor oversight diluted the positive impact of well-allocated funds. These empirical findings suggest that Facility Fund Allocation plays a vital role in shaping the financial performance of public hospitals.

2.1.2. Facility Fund Accountability Mechanisms and Financial Performance

Facility fund accountability mechanisms refer to the systems, processes, and structures put in place to ensure that financial resources allocated to healthcare facilities are properly managed, transparently used, and appropriately reported. Accountability in fund management is critical for ensuring that financial resources contribute to the intended improvements in healthcare infrastructure and service delivery. Several empirical studies have demonstrated a strong link between effective accountability mechanisms and improved financial performance in public hospitals. A study by Muthee (2019) on public hospitals in Kiambu County, Kenya, found that the existence of clear financial reporting systems, regular audits, and stakeholder involvement in budget oversight positively influenced the financial performance of healthcare facilities. Hospitals that implemented strict accountability measures reported higher revenue collection, better cost control, and enhanced financial sustainability compared to those with weak accountability practices.

Mbithi & Karanja (2020) examined the role of internal controls in the financial management of Level 4 hospitals in Machakos County. Their findings revealed that internal controls, such as regular financial reconciliations, separation of duties, and transparent procurement processes, significantly reduced financial mismanagement and wastage of facility funds. As a result, these hospitals achieved more stable financial performance and were able to allocate more resources towards essential services and facility upgrades. In a broader regional study, Okungu et al. (2018) explored the impact of public financial management reforms on healthcare delivery in East Africa. The study concluded that countries and counties that emphasized strict facility fund accountability through electronic financial management systems (e-FMS) and performance-based budgeting practices experienced notable improvements in healthcare financing outcomes. This was attributed to reduced corruption, improved transparency, and more effective use of limited resources.

Locally, Nyanchoka (2021) assessed the influence of facility fund management practices on service delivery in public hospitals within Nyamira County. The study highlighted that weak accountability structures, such as lack of regular financial audits and limited involvement of health management committees, led to inefficient use of funds and contributed to financial instability in several hospitals. Conversely, hospitals that had stronger accountability systems demonstrated better financial discipline, leading to higher revenues and improved service provision. Overall, empirical evidence strongly supports the assertion that facility fund accountability mechanisms are vital in enhancing the financial performance of public hospitals. When funds are well-accounted for, hospitals are better positioned to manage costs, generate additional revenue, and sustain operations, ultimately resulting in improved healthcare service delivery.

3.1. Research Methodology

The study employed a descriptive research design to capture and characterize the existing practices of facility fund management and their effects on public hospital

financial performance in Nyamira County without manipulating any conditions (Creswell, 2014; Kothari, 2004). The target population comprised 112 health professionals directly involved in facility fund management—hospital administrators, accountants, procurement officers, medical superintendents, and departmental heads—across one county referral and eight sub-county hospitals. Using Yamane's (1967) formula with a 5% margin of error, the researcher determined a sample size of 88 respondents, consistent with similar health-sector studies (Koech, 2020; Otieno & Kariuki, 2019). Data were collected via a structured, Likert-scale questionnaire—selected for its efficiency in eliciting standardized attitudinal data (Nemoto & Beglar, 2014; Dubey & Kothari, 2022). To ensure reliability, a pilot test was conducted with non-sample respondents and Cronbach's alpha was calculated, with $\alpha > 0.70$ deemed acceptable (Fraenkel & Wallen, 2006; Mugenda & Mugenda, 2009). Content, face, and construct validity were established through expert review and supervisor feedback, supplemented by methodological triangulation of quantitative and qualitative sources (Creswell, 2003; Flick, 2007). Questionnaires were delivered and collected using a drop-and-pick method to maximize response rates and allow respondents four days to complete them at their convenience. Finally, responses were coded numerically and analyzed using SPSS: descriptive statistics (frequencies, means, percentages) described the data, while inferential techniques—including correlation and regression analysis—tested hypotheses about the influence of fund management variables on financial performance. The prediction of Y was accomplished by the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where:

Y = Financial Performance

X₁ = Facility Fund Allocation

X₂ = Facility Fund Accountability

$\beta_0, \beta_1, \beta_2, \beta_3$ and β_4 = Regression Coefficients for the independent variables

ϵ = Error term

4.1. Results and Discussion

The sample population of the study was 88 respondents. Out of these, 80 questionnaires were returned. This comprised 90.9% response rate. Rogelberg and Stanton (2007) assert that for studies carried out at the organizational level, the acceptable data collection rate should be over 35%. Therefore, the data collection in the present study met this criterion and hence was suitable in ensuring accuracy and minimization of bias.

4.1.1. Descriptive Statistics on Facility Fund Allocation

The study sought to assess the extent to which Facility Fund Allocation influences financial performance in public hospitals in Nyamira County. Respondents were asked to rate several statements on a five-point Likert scale (5 = Strongly Agree to 1 = Strongly Disagree). The descriptive statistics (mean and standard deviation) were computed for each statement to summarize the responses.

Table 1: *Descriptive Statistics on Facility Fund Allocation*

Statement	Mean	Standard Deviation
The hospital receives facility funds on a timely basis.	3.12	1.14
The amount of facility funds allocated is adequate to meet operational needs.	2.98	1.20
There is fairness in how facility funds are distributed among departments.	3.22	1.08
Budget estimates are used effectively in determining fund allocations.	3.45	0.95
Delays in fund allocation affect service delivery.	4.18	0.72
The hospital management is involved in the Facility Fund Allocation process.	3.67	0.88

The Results indicate that delays in fund allocation are perceived to have the greatest negative impact on hospital operations, with respondents strongly agreeing ($M = 4.18$, $SD = 0.72$) that service delivery suffers when facility funds arrive late—echoing Mutheu’s (2019) findings on how financial delays precipitate supply shortages, staff discontent, and compromised patient care. Hospital management’s involvement in fund-allocation decisions also scored highly ($M = 3.67$, $SD = 0.88$), suggesting active leadership engagement that, as Achieng’ and Kiprotich (2020) report, bolsters accountability and directs resources toward institutional priorities. In contrast, perceptions of funding adequacy were less favorable: the adequacy of allocated funds to meet operational needs received a lower mean ($M = 2.98$, $SD = 1.20$), reflecting the funding gaps Muriuki (2021) observed in Kenyan public hospitals that hinder effective service provision. Timeliness of fund disbursement yielded mixed views ($M = 3.12$, $SD = 1.14$), underscoring inconsistent payment schedules that disrupt planning and echo concerns raised by Mwangi and Kariuki (2020). Finally, the use of budget estimates to guide allocations was rated moderately positively ($M = 3.45$, $SD = 0.95$), indicating that while budgeting processes generally inform fund distribution, further refinement is needed to ensure allocations fully align with actual needs. Together, these findings highlight that although management participation and budgeting structures are in place, persistent delays and insufficient funding levels continue to undermine the financial performance and service quality of public hospitals in Nyamira County .

4.1.2. Descriptive Statistics on Facility Fund Accountability Mechanism

The study also examined how facility fund accountability mechanisms influence the financial performance of public hospitals in Nyamira County. Descriptive statistics (mean and standard deviation) were calculated to summarize the responses.

Table 2: *Descriptive Statistics on Facility Fund Accountability Mechanism*

Statement	Mean	Standard Deviation
The hospital has established internal control systems for financial management.	3.84	0.90
Financial reports are prepared regularly and accurately.	3.79	0.92

There is an independent audit of facility fund usage.	3.66	0.97
Staff are trained on financial accountability procedures.	3.51	1.05
There are consequences for mismanagement of facility funds.	3.42	1.10
Facility fund usage is reviewed by a governing board or committee.	3.88	0.86

Respondents most strongly agreed that facility fund usage is reviewed by a governing board or committee ($M = 3.88$, $SD = 0.86$), underscoring active oversight that, as Kilonzo and Ngugi (2019) noted, fosters transparency and accountability in public institutions. Nearly as highly rated was the presence of internal control systems for financial management ($M = 3.84$, $SD = 0.90$), reflecting hospitals' efforts to regulate fund flows and minimize misappropriation risk—an effect Mutheu (2019) found directly linked to enhanced financial sustainability. Regular and accurate preparation of financial reports also scored well ($M = 3.79$, $SD = 0.92$), indicating systematic reporting practices critical for monitoring budgets and adjusting expenditures in line with WHO (2020) guidelines. However, mean scores dipped for staff training on financial accountability procedures ($M = 3.51$, $SD = 1.05$) and for the existence of real consequences for fund mismanagement ($M = 3.42$, $SD = 1.10$), revealing shortfalls in capacity building and enforcement that Muriuki (2021) identified as barriers to effective accountability. Finally, agreement that independent audits of facility fund usage occur was moderate ($M = 3.66$, $SD = 0.97$), suggesting that while auditing mechanisms exist, their independence and frequency warrant strengthening. Overall, these findings highlight that although Nyamira County's public hospitals have established key accountability structures—governance reviews, controls, and reporting—sustainable financial performance will depend on bolstering staff competencies and enforcing sanctions to close existing gaps..

4.1.3. Descriptive Statistics on Financial Performance of Public Hospitals

This section of the study aimed to assess the current state of financial performance in public hospitals in Nyamira County. The mean and standard deviation for each statement were calculated to summarize the findings.

Table 3: Descriptive Statistics on Financial Performance of Public Hospitals

Statement	Mean	Standard Deviation
The hospital operates within its allocated budget.	3.72	0.88
There is improvement in revenue generation over the last 3 years.	3.66	0.91
Expenditures are effectively managed and tracked.	3.78	0.85
The hospital has reduced reliance on external funding sources.	3.40	1.00
There is efficient use of available financial resources.	3.83	0.80
The hospital's financial performance enables service expansion and improvement.	3.61	0.92

Respondents most strongly agreed that their hospitals make efficient use of available financial resources ($M = 3.83$, $SD = 0.80$), reflecting widespread confidence in maximizing existing funds—a practice Ndegwa & Ogolla (2021) identified as key to

public healthcare facilities' financial health. Closely following, effective management and tracking of expenditures scored highly ($M = 3.78$, $SD = 0.85$), indicating that robust systems for monitoring costs are in place to curb waste and bolster accountability, consistent with Mutiso & Waiganjo's (2019) findings on sustainability. Hospitals also generally operated within their allocated budgets ($M = 3.72$, $SD = 0.88$), demonstrating fiscal discipline essential for avoiding deficits, as Kimeu and Omwenga (2020) have noted, despite some challenges in strict adherence. Moderate agreement emerged around improved revenue generation over the past three years ($M = 3.66$, $SD = 0.91$), suggesting incremental gains in internally generated funds through service diversification, a strategy Mbugua et al. (2020) deem critical for financial resilience. Likewise, the view that stronger financial performance has enabled service expansion and improvement scored positively but more modestly ($M = 3.61$, $SD = 0.92$), echoing Omondi and Muturi's (2020) assertion that reinvestment of surplus funds underpins capacity growth. Finally, the lowest endorsement came for reduced reliance on external funding sources ($M = 3.40$, $SD = 1.00$), underscoring continued dependency on county allocations and donor support, a limitation Muchangi & Karanja (2019) also observed in Kenyan public hospitals' struggle toward financial independence.

4.1.4. Correlational Results of Study Variables

The aim of this correlational analysis is to explore the relationships between the independent variables (Facility Fund Allocation, accountability mechanism) and the dependent variable (financial performance). The analysis helps identify whether there are significant positive or negative associations, which can guide recommendations for improving financial performance.

Table 4. *Correlational Results of Study Variables*

Variable	Facility Fund Allocation	Facility Fund Accountability	Financial Performance
Facility Fund Allocation	1.00		
Facility Fund Accountability	0.72**	1.00	
Financial Performance	0.71**	0.77**	1.00

Facility Fund Allocation & Financial Performance ($r = 0.71$): A strong positive correlation ($r = 0.71$) between Facility Fund Allocation and financial performance indicates that as facility funds are allocated more effectively, there is a corresponding improvement in the financial performance of the hospital. This supports findings from Omondi and Muturi (2020), who found that a well-organized utilization of funds is essential for sustaining operational activities and enhancing financial outcomes in hospitals. Facility Fund Accountability & Financial Performance ($r = 0.77$): The correlation coefficient of 0.77 indicates a very strong positive relationship between facility fund accountability mechanisms and financial performance. This suggests that hospitals with robust accountability structures (such as audits and internal control systems) are more likely to experience improved financial performance. This finding is consistent with Mutiso and Waiganjo (2019), who emphasize the importance of

transparency and accountability in financial management for improving healthcare outcomes.

4.1.5. Regression Results

The research used multiple regression analysis to determine the linear statistical relationship between the independent and dependent variables of this study.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.87 ^a	.76	.74	0.23

a. Predictors: (Constant), X_1 , X_2 , X_3 , X_4 b. Dependent Variable: Y

The multiple correlation coefficient of 0.87 suggests a strong positive linear relationship between the independent variables (Facility Fund Allocation, accountability mechanisms,) and the dependent variable (financial performance). The R^2 value of 0.76 indicates that 76% of the variation in financial performance can be explained by the independent variables included in the model. This is a high R^2 value, suggesting that the model provides a good explanation of the factors influencing financial performance in public hospitals. A similar R^2 value was reported by Ngugi *et al.* (2020), who found that financial management factors (such as fund utilization and monitoring) explained a large proportion of the variation in hospital financial performance.

Analysis of Variance (ANOVA) tests whether the overall regression model is a good fit for the data. Specifically, it tests the null hypothesis (H_0) that all regression coefficients are equal to zero (i.e., none of the independent variables have a statistically significant relationship with the dependent variable). In this study, ANOVA is used to assess whether Facility Fund Allocation, facility fund accountability mechanisms significantly predict the financial performance of public hospitals in Nyamira County.

Table 6: ANOVA Summary

Model	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Regression	14.76	4	3.69	34.65	0.000
Residual	4.64	76	0.11		
Total	19.40	80			

a. Dependent Variable: Y

b. Predictors: (Constant), X_1 , X_2 ,

Sum of Squares (Regression) is indicated with a value of 14.76 represents the variation explained by the independent variables (Facility Fund Allocation, accountability, equipment acquisition, monitoring). The Sum of Squares (Residual) has the value of 4.64 which represents the variation that is not explained by the model (errors or unexplained factors). The total variation in the dependent variable (financial performance) is 19.40. The p-value associated with the F-statistic is 0.000 ($p < 0.05$), meaning the overall regression model is statistically significant.

Regression coefficients show the strength and direction of the relationship between each independent variable (predictors) and the dependent variable (financial performance of public hospitals). They also help to determine which variables are statistically significant predictors in the model.

Table 7: Regression Coefficients Summary

Predictor Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t-value	Sig. (p-value)
(Constant)	0.754	0.242		3.116	0.003
Facility Fund Allocation	0.338	0.081	0.415	4.173	0.000
Facility Fund Accountability	0.297	0.076	0.362	3.908	0.000

$$Y = .754 + 0.338X_1 + 0.297X_2$$

The study findings highlighted that the Constant was indicated with $B = 0.754$: This is the predicted value of financial performance when all independent variables are zero. While not very interpretable practically, it is important for the equation of the regression line. The study findings indicated that Facility Fund Allocation had a $B = 0.338$: this shows a positive and significant coefficient indicates that a unit increase in Facility Fund Allocation leads to an increase of 0.338 units in financial performance, holding other factors constant. Ngugi *et al.* (2020) found that timely and adequate fund allocation significantly improved financial outcomes in public health facilities. The Facility Fund Accountability was denoted with $B = 0.297$: this implies that there is a positive coefficient indicates that improving accountability mechanisms increases financial performance by 0.297 units. According to Mutiso & Waiganjo (2019), accountability mechanisms such as audits and staff training positively impact hospital financial efficiency.

5.1. Conclusion

This study set out to examine the relationship between Facility improvement fund and the financial performance of public hospitals in Nyamira County. Specifically, it investigated the influence of Facility Fund Allocation, facility fund accountability mechanisms, medical equipment acquisition, and facility fund monitoring on financial performance. The findings revealed that all the examined aspects of Facility improvement fund significantly and positively affect the financial performance of public hospitals. Facility Fund Allocation was found to enhance financial performance when allocations were timely, adequate, and fairly distributed among departments. Similarly, strong facility fund accountability mechanisms, including internal controls, regular financial reporting, and independent audits, contributed to greater financial efficiency and sustainability.

6.1. Recommendations

Based on the findings and conclusions of the study, the following recommendations are proposed to enhance the financial performance of public hospitals in Nyamira County: The County Health Department should ensure that facility funds are disbursed to hospitals promptly and in amounts that adequately meet operational and strategic needs. There should be a systematic and needs-based approach to fund allocation, considering hospital size, service demand, and future growth plans. Hospitals should implement robust internal control systems to manage and track the use of facility funds. Regular financial audits should be conducted independently, and the audit findings should be

made public to ensure transparency. Staff training on financial accountability procedures should be made mandatory to foster a culture of responsibility and integrity.

7.1. Further Study

While this study provides valuable insights into the relationship between Facility improvement fund and financial performance of public hospitals in Nyamira County, several areas warrant further exploration. First, future research could focus on examining the influence of external funding sources (such as donor support and government grants) on the financial sustainability of public hospitals. This would offer a broader understanding of how external financial flows interact with internal facility fund management practices. Secondly, this study was confined to public hospitals within a single county. Further studies could undertake a comparative analysis across multiple counties or regions in Kenya to determine whether the findings are consistent in different administrative and socio-economic contexts. Such studies could also reveal county-specific challenges and best practices. Finally, a study incorporating qualitative approaches such as interviews with hospital administrators, finance officers, and county officials could provide deeper insights into the challenges and successes in facility fund management that quantitative methods might not fully capture.

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