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Effect of cash reconciliations on financial performance of Kenya Power, Central Rift Region, Kenya.

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Abstract: This study examined the effect of cash reconciliations, as a critical component of internal control systems, on the financial performance of Kenya Power in the Central Rift Region, Kenya. A quantitative research design was employed, targeting 155 finance division staff across eight sub-regions, with a sample of 62 respondents selected using proportional stratified sampling. Data were collected through structured questionnaires, assessing cash reconciliation practices on a five-point Likert scale, and secondary data on financial performance (Return on Assets) from Kenya Power's financial statements (2018–2022). Descriptive statistics revealed strong employee confidence in cash reconciliation practices, including regular petty cash reconciliations, frequent surprise checks, bank reconciliations, independent verification, and high-quality record-keeping. Inferential statistics, including Pearson correlation and regression analyses, confirmed a significant positive relationship between cash reconciliations and financial performance. However, financial performance exhibited volatility over the study period, suggesting that while cash reconciliations are impactful, other factors also influence outcomes. The study concludes that effective cash reconciliations enhance financial accountability and transparency, though broader strategies are needed for sustained stability. Recommendations include adopting automated reconciliation systems, enhancing staff training, increasing bank reconciliation frequency, implementing robust monitoring, and integrating digital payment systems to strengthen financial controls and support long-term performance. These findings provide actionable insights for Kenya Power to optimize its internal control systems and financial outcomes in the Central Rift Region.

Keywords: Cash Reconciliations, Financial Performance, Internal Control Systems, Return on Assets, Kenya Power, Central Rift Region

I. INTRODUCTION

1.1 Background

Internal control systems (ICS) are crucial in ensuring the efficiency and reliability of an organization's operations, particularly in safeguarding assets, enhancing financial reporting accuracy, and promoting adherence to regulations and policies. According to Amidu and Abor (2018), internal control systems consist of a coordinated set of procedures, processes, and mechanisms aimed at promoting financial transparency, reducing fraud, and improving organizational governance. A key component of these systems is cash reconciliation, which ensures that actual cash balances align with recorded figures in financial systems, thereby serving as a foundation for financial integrity.

Globally, weak internal controls especially in areas like cash reconciliation have resulted in significant financial losses. For example, the Association of Certified Fraud Examiners (ACFE, 2020) estimated that organizations lose approximately 5% of their annual revenues to fraud, with poor cash handling and reconciliation practices contributing heavily to this statistic. Similarly, PwC (2021) found that 47% of companies had experienced fraud within the previous two years, attributing many cases to ineffective internal controls. These findings underscore the importance of strengthening controls over cash management, particularly through regular and accurate reconciliations, to ensure the credibility of financial reports and protect organizational resources.

The International Monetary Fund (IMF, 2019) highlights transparent and reliable financial reporting fueled by accurate cash reconciliation as essential to fostering investor confidence and macroeconomic stability. Inadequate reconciliation practices can lead to discrepancies in financial statements, resulting in diminished trust from stakeholders

and potential regulatory sanctions. Therefore, cash reconciliation plays a strategic role in ensuring internal control objectives are met and that financial performance remains sound.

Effective internal control mechanisms, including routine cash reconciliations, also contribute to robust risk management practices. The World Economic Forum (WEF, 2022) notes that proactive risk identification and mitigation are fundamental to business sustainability, especially in uncertain economic environments. Properly executed cash reconciliation procedures help organizations detect errors, prevent fraud, and monitor liquidity in real timefactors that are critical in enhancing overall financial performance and operational continuity.

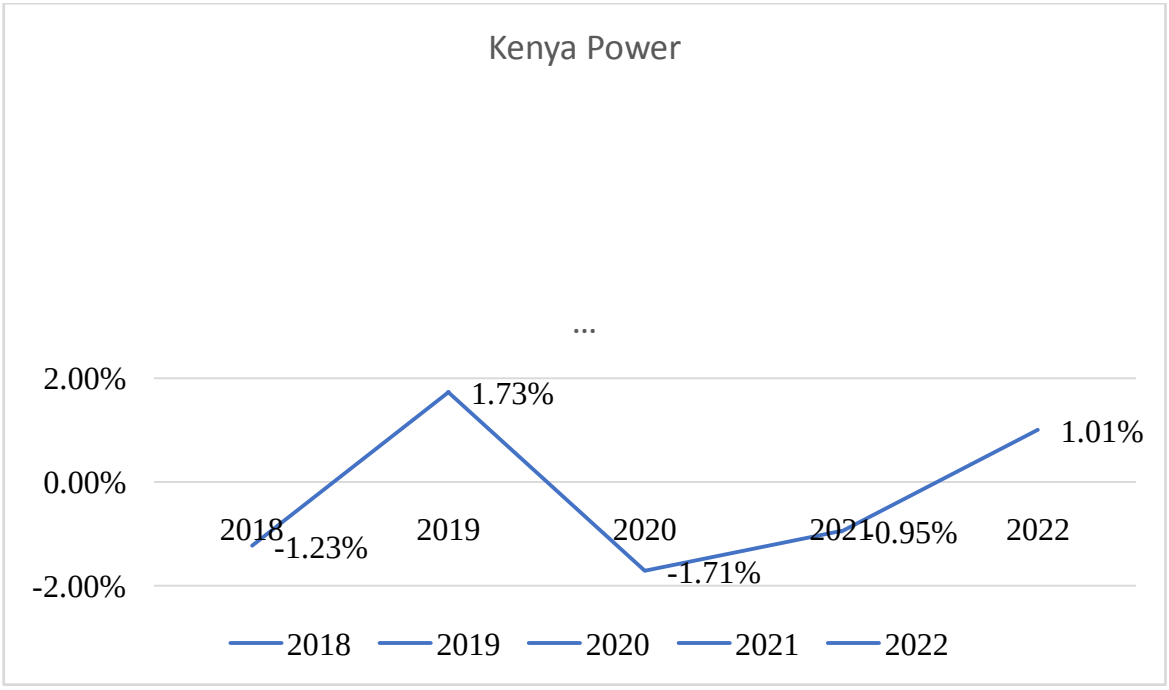
Across African regions, the implementation of effective internal controls, particularly cash-related controls, varies significantly. For instance, in West and Southern Africa, revenue losses and fraud are exacerbated by weak reconciliation frameworks (AfDB, 2020; Global Financial Integrity, 2020). In East Africa, including Kenya, similar challenges persist due to limited institutional capacity and resource constraints (AU, 2020; AfDB, 2021). Transparency International (2021) consistently ranks Kenya among countries facing high corruption risks, emphasizing the need for rigorous internal control practices such as frequent cash reconciliations to improve accountability.

In the Kenyan context, internal controls especially in state corporations like the Kenya Power and Lighting Company (KPLC)—are essential for effective governance, regulatory compliance, and financial performance. Gathoni and Gitau (2021) underscore that in Kenya's dynamic regulatory and economic landscape, internal controls, including timely cash reconciliations, help organizations safeguard assets, minimize losses, and improve operational efficiency. Given the operational scale of Kenya Power and its regional structures such as the Central Rift Region, cash reconciliation is critical in managing dispersed cash flows and ensuring accurate reporting across branches.

Financial performance refers to the degree to which an organization achieves its financial objectives in terms of profitability, liquidity, and sustainability (Smith, 2019). Metrics such as Return on Assets (ROA), Return on Equity (ROE), and revenue growth are commonly used to assess financial health (Johnson *et al.*, 2020). In particular, ROA is a key indicator of how efficiently an organization utilizes its assets including cash to generate profits (Brown & Davis, 2021). Weak cash control systems, including infrequent or inaccurate cash reconciliations, can lead to liquidity issues, misstatements in financial reports, and ultimately reduced ROA.

The CAMEL framework (Dong, 2011) further supports the argument that elements such as capital adequacy, asset quality, and management efficiency directly impacted by cash management practices are foundational to an organization's financial performance. Inefficiencies or failures in reconciling cash accounts can obscure financial realities, mislead decision-makers, and erode stakeholder confidence.

The figure 1.1 shows the trend of ROA of Kenya Power since 2018 to 2022.



Source: Kenya Power (2018-2022)

In the case of Kenya Power, the ROA trend over the past five years reflects financial instability. As reported in Figure 1.1, ROA dropped significantly from 1.01% in 2018 to -1.71% in 2020, with only a brief recovery in 2021 before declining again to -1.23% in 2022 (Kenya Power, 2018–2022). Such volatility points to possible inefficiencies in internal control mechanisms, including cash handling and reconciliation, warranting deeper investigation.

1.2 Statement of the Problem

As the main supplier of energy, Kenya Power is essential to the country's industrialization, infrastructural development, and general economic expansion (Kaplan & Mandava, 2020). However, questions have been raised about its financial performance and how internal control mechanisms could affect it. The company's fluctuations in Return on Assets (ROA) over recent years warrant an investigation into the effectiveness of its internal controls in sustaining its economic contributions. The Return on Assets (ROA) trend for Kenya Power over the past five years indicates a somewhat declining performance (Kenya Power, 2018-2022). In 2018, the company posted a ROA of 1.01%, signifying that it generated a 1.01% profit for every unit of assets employed. However, subsequent years witnessed a fluctuating pattern, with the ROA dropping to -0.95% in 2019, further decreasing to -1.71% in 2020, and then recovering slightly to 1.73% in 2021. The latest available data for 2022 shows a decline, with ROA at -1.23%. The company's declining performance indicates that it has had difficulties in effectively using its assets to create profits. This raises concerns about its financial performance and the possible impact of its internal control methods on this trend.

The empirical literature study also shows that many researches have emphasized the vital role that internal control systems play in protecting and enhancing financial performance. According to Mauti and Muturi's (2019) investigation, separating tariffs has a negative impact on the financial performance of Kenyan tea processing enterprises. Ngari (2017) investigated how Kenyan microfinance organizations' financial performance was affected by work segregation. A global analysis was conducted by Smith, Brown, and Lee (2019) on a sample of 200 multinational corporations. A significant correlation was identified between the effective execution of role delegation and improved financial outcomes. However, despite these significant insights, there is a scarcity of research especially concentrating on the Kenyan utility industry, with few studies investigating the internal control mechanisms and financial performance. Prior studies often fail to provide a thorough examination of the collective impact of several internal control elements, such as division of tasks, cash reconciliation, inventory audits, and cash management, on financial performance within a certain geographical area (Mauti & Muturi, 2019; Ngari, 2017). The necessity for a comprehensive analysis of Kenya Power and Lighting Company's internal control systems and financial performance in the Central Rift Region is highlighted by the existence of contextual, factual, conceptual, and methodological gaps. By delivering a thorough grasp of how internal controls jointly impact financial performance, this research seeks to close these gaps and provide insightful information for both academics and energy industry practitioners.

1.2 Specific Objective

The specific objective was:

To determine the effect of cash reconciliations on financial performance of Kenya Power, Central Rift Region.

1.3 Research Hypotheses

Cash reconciliation has no significant effect on financial performance of Kenya Power, Central Rift Region.

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Agency Theory

According to Jensen and Meckling's (1976) Agency Theory, there is a division between ownership and management within organisations, which can lead to conflicts of interest between principals (owners) and agents (managers). As an alternative to maximising shareholder profit, agents may prioritise their own self-interests, which can result in agency costs such as inefficient management, excessive risk-taking, and employee negligence. This is because agents may prioritize their own goals over those of the principals due to information asymmetry and divergent risk preferences (Eisenhardt, 1989). Agency Theory emphasises the importance of establishing control mechanisms, monitoring systems, and incentive systems, including internal controls, in order to reduce agency costs and align the interests of principals and agents (Fama & Jensen, 1983).

Internal controls are critical for eliminating internal conflicts and boosting overall performance because they match managers' interests with those of shareholders (Walker *et al*., 2018). Segregation of tasks is an essential internal control technique that tries to avoid fraud and mistakes by distributing responsibilities among various personnel to provide

checks and balances (Knechel & Salterio, 2016). By clearly delineating authority and responsibility, segregation of duties reduces the opportunities for managerial opportunism and enhances accountability (Walker *et al.,* 2018). Effective segregation of duties can mitigate agency problems by enhancing transparency, accountability, and the reliability of financial reporting, thereby improving the overall financial performance of the organization.

Cash reconciliations represent another internal control mechanism aimed at reducing agency costs and enhancing financial performance. Cash reconciliation techniques include comparing the cash balances recorded in an organization's bank accounts and accounting records to identify any disparities (Knechel &Salterio, 2016). Cash reconciliations guarantee the completeness and correctness of cash transactions and assist stop unlawful activities and money theft, which lowers agency costs related to management opportunism (Knechel &Salterio, 2016). Moreover, timely and accurate cash reconciliations provide management with reliable information for decision-making, ultimately contributing to improved financial performance.

Effective cash management strategies are crucial for reducing conflicts of interest and improving financial performance in businesses. Effective cash management involves optimizing cash flows, liquidity, and investments to meet operational needs while minimizing idle cash balances (O'Brien &Marakas, 2018). By ensuring adequate liquidity and minimizing the agency costs associated with cash hoarding or excessive spending, efficient cash management practices contribute to improved financial performance (O'Brien &Marakas, 2018). Moreover, proactive cash management strategies enable organizations to capitalize on investment opportunities and mitigate liquidity risks, thereby enhancing shareholder value and organizational sustainability.

The study applies Agency Theory as a theoretical framework to understand the relationship between Kenya Power's financial performance and internal controls. Using agency theory, the study aims to find out how internal control mechanisms such as cash reconciliations affect financial performance. The results of this research add to the corpus of information currently available on internal controls and agency theory. They will also provide helpful guidance for improving financial performance in companies that operate similarly.

2.2 Conceptual Framework

The research plan for examining how internal control practices affect an organization's financial performance as determined by Return on Assets (ROA) is the conceptual framework shown in Figure 2.1.

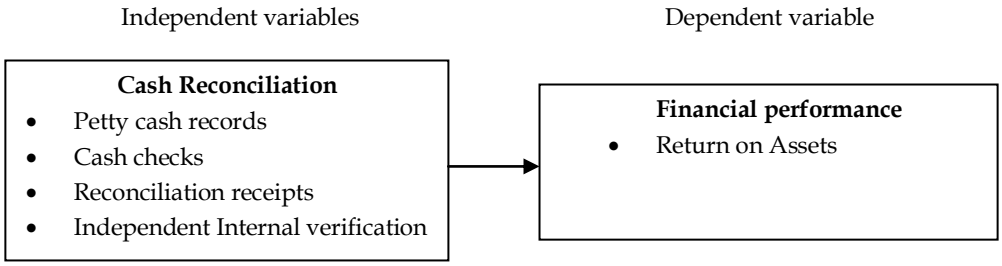


Fig 2.1: Conceptual Framework

2.3 Empirical review

Onwonga, Achoki, and Ombi (2017) investigated the effect of cash reconciliation on Kenyan commercial banks' bottom lines. A descriptive survey approach was used for the study. All forty-three of Kenya's commercial banks that are registered and have business licenses were included in the poll. A multi-stage sampling strategy was used by the researchers. Both primary and secondary sources of information were used in the analysis of the research. While questionnaires were used to gather main data, a template was used to gather secondary data. A multivariate linear regression model was used to link the variables. The results showed a positive correlation between cash reconciliation and the financial performance of commercial banks. Cash reconciliation and ROE and ROA were positively and statistically significantly correlated. The study gap is due to the contextual transition from commercial banks to a utility firm, Kenya Power, and the specific circumstances that may affect financial performance. This study intended to give insights into Kenya Power's internal control processes and their possible effect on its financial performance, presenting a unique viewpoint from earlier research undertaken on commercial banks.

Maina, Muema, and Mutegi (2021) performed research to establish the financial performance of medium-sized enterprises in Nairobi County's industrial sector and to develop cash reconciliations. The study's population consisted of 95 manufacturing enterprises (MEs) in the food processing sector, with 77 MEs chosen for descriptive analysis. The study's data comes from a questionnaire that was completed using the in-person drop-and-pick method. The study also obtained secondary data on sales and net profit from the companies' financial statements. Simple regression and descriptive statistics were used to analyze the collected data. According to the research, the internal controls used by food manufacturing enterprises in Nairobi County include cash reconciliation, risk assessment, inventory audits, cash management, and division of tasks. While this research was valuable in exploring the impact of cash reconciliations and other internal controls, it primarily concentrated on a specific sector (food processing) within medium enterprises. However, the goal of the current study was to investigate a wider variety of internal controls and how they affected the financial performance of Kenya Power, a utility company involved in electricity in the Central Rift Region. In order to bridge the gap left by previous research, this study provided a more comprehensive understanding of the relationship between internal controls and financial performance by expanding the focus beyond a specific industry and identifying a new kind of organization.

Johnson et al. (2020) looked at how internal control systems affected MNCs' financial performance in the technology industry. Their worldwide research was designed to cover all bases. Johnson and his colleagues combed through data from a wide variety of multinational technology corporations for this comprehensive study. The research used a mixed-methods strategy, integrating quantitative analysis with qualitative data gathered via surveys and interviews. From a population of several global technological companies, 150 organizations were selected using stratified random selection. The researchers used state-of-the-art statistical techniques and tools, including SPSS, to analyze the data. The results demonstrated a strong correlation between financial performance and the efficacy of internal control systems, underscoring the significance of these systems on a worldwide basis. Despite its significant contributions, this worldwide research did not expressly address regional variances and localised peculiarities in internal control systems. Therefore, there remains a critical gap in understanding how internal control practices impact financial performance in different regional contexts, such as Africa. To address this knowledge vacuum, this research looked at Kenya Power's operations in the Central Rift Region from a regional viewpoint, providing insight into energy sector financial performance and internal control mechanisms.

III RESEARCH METHODOLOGY

3.1 Research Design

A researcher's research design was the blueprint for how they approached their study topic. "It" was more than just a work plan, according to Saunders *et al*. (2014). The research design of a project served as the starting point for developing a work plan, which detailed the activities required to complete the project. According to Cooper and Schindler (2014), the goal of a well-designed study is to provide a conclusive answer to the initial research question. A quantitative research strategy was used in this investigation. Bisbe and Otley (2004) stated that quantitative research refers to the systematic investigation carried out to provide an explanation for any observed behavior in the market. The population's characteristics and makeup, the study's objectives, and the required degree of design accuracy were all carefully taken into account while choosing this research design.

3.2 Target Population

The target population of this study was finance division staffs from all Kenya Power Central Rift regions. The Region is subdivided into sub regions which include Nakuru, Narok, Nyahururu, Naivasha, Eldama Ravine, Molo, Maral and Kericho. This study focused on the finance division staffs which comprise of 155 employees as per the human resource record in the year 2025. This study opted for the finance staff since they are well equipped with information that this study is interested in.

Table 3. 1: Distribution of Target Population

Sub region	Number of Staff	Percentage (%)
Nakuru	37	24
Narok	21	14
Nyahururu	19	12
Naivasha	22	14

Eldama Ravine	11	7
Molo	13	8
Maralal	17	11
Kericho	15	10
Total	**155**	**100**

Source:Kenya Power HR Records (2025)

3.3 Sampling Design and Sample Size

The researcher selected participants from all financial divisions throughout all sub-regions using a proportional stratified sample design. Proportional stratified sampling is a suitable method since it determines the subgroups within the population and their respective proportions, and then picks a sample from each subgroup (Kothari & Garg, 2014). Therefore, it ensured that each layer is adequately represented, since the sample taken from it is proportional to the participation of the stratum of the total number of financial employees. A statistical mathematical procedure proposed by Naissuma (2000) was used to calculate the sample size. The following is the formula.

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where n=sample size

N= population, 155 in this case

C= coefficient of variation, the study assumed50% to minimize bias

e= standard error, assumed to be 5% in this study.

Using this formula, the study sample hence comprised a total of 62 finance staff from all the sub-regions. By using rotational simple random selection, forty percent of the personnel in each sub-region were chosen. Every member of the target population had an equal and independent chance of being chosen for the sample thanks to simple random sampling. A number of sheets representing the sub-region's population were folded in order to identify research participants; only a number representing the sample percentage had a mark on it. The staff picked the papers, and only those who picked a marked paper participated. Table 3.2 illustrates how the sampling took place.

Table 3.2 Sample Distribution

Sub region	Number of Staff	Sample size (40%)
Nakuru	37	15
Narok	21	8
Nyahururu	19	8
Naivasha	22	9
Eldama Ravine	11	4
Molo	13	5
Maralal	17	7
Kericho	15	6
Total	**155**	**62**

Source: Kenya Power HR Records (2025)

3.4 Data Collection

3.4.1 Research Instrument

A systematic questionnaire with parts devoted to cash reconciliation, inventory audits, cash management, and division of tasks served as the research tool for gathering data. Questions in each part probed how well these internal control mechanisms are working and how employees feel about them. Respondents rated their responses on a five-point Likert scale, providing a structured format for data analysis. Additionally, the study collected secondary data on financial performance, particularly Return on Assets (ROA), from the organization's financial statements. This combined

approach of primary data collection through the questionnaire and secondary data on ROA enabled a comprehensive analysis of how internal controls impact financial performance.

3.4.2 Pilot Testing

Pilot testing involved selecting 10% of the intended sample size of Kenya Power, Nakuru, which is considered sufficient for this phase of the research. According to Tashakkori and Teddlie (2003), a pilot test involving 10% of the sample size is typically recommended for questionnaire validation. This subset of respondents participated in the pre-test of the questionnaire to assess its clarity, comprehensibility, and suitability. Their feedback helped identify any ambiguities or issues with the questionnaire, allowing for necessary adjustments before administering it to the full sample. During the primary data collecting phase, this method made sure the final questionnaire was well-refined and produced accurate data.

3.4.3 Validity of the Research Instrument

The apparent validity occurs when the questionnaire collects what was actually intended, while the validity of the content is the estimate of how much a measure represents each element of a construction (Middleton, 2019). To ensure nominal validity, the investigator consults the study supervisor. The supervisor evaluated and provide feedback on the requested corrections. The participation of the supervisor was also used to improve the vagueness of the questions, prejudices and incorrect expressions. The validity of the content was obtained from the construct literature.

3.4.4 Reliability of the Research Instrument

Bryman (2007) states that the dependability of a research instrument is determined by the consistency of the acquired responses. As stated by Hair *et al*. (2003), Cronbach's measure evaluates the internal consistency of items inside a scale. It indicates how closely connected the parts of a survey are to one another. More internal consistency is indicated by higher values of the Cronbach alpha coefficient, which usually runs from 0 to 1. Mugenda (2014) states that 0.7 is the commonly recognized level of internal consistency. The Cronbach's alpha coefficient was used to assess the reliability. It was considered acceptable to have an alpha coefficient more than 0.65 if it was less than 0.65.

3.4.5 Data Collection Procedure

The data gathering process started with obtaining a clearance letter from Kenyatta University and a research authorisation from NACOSTI. Sending Kenya Power the letters and the consent paperwork will allow them to gather pertinent research data. Data was gathered via a drop-off and pick-up method at a later time. This technique involved providing the assent statement and then administering the poll. The respondents had their privacy ensured for whatever data they provided, which encouraged their participation throughout the data-gathering procedure. Questionnaires was sent directly to workers in order to save transportation expenses and streamline the data gathering process. The researcher provided the respondents with questionnaires and allowed them a two-day period to complete them at their own convenience. The study gathered the properly filled out questionnaires, prepared for data input and analysis.

3.5 Data Analysis and Presentation

Statistical Package for the Social Sciences (SPSS) version 25 was used for data analysis. The study used inferential and descriptive statistics. Use of percentages, means, standard deviations, and frequencies were all part of the descriptive statistics. According to Gall, Borg & Gall (2013), inferential statistics included determining the strength of the association between variables by correlation analysis at a generally recognised threshold of significance, often $P < 0.05$. Frequency tables and charts was used to summarise the responses. To determine how internal controls affect financial performance, multivariate linear regression was used. Therefore, the following formula utilised:

$Y = \beta 0 + X1 + \varepsilon$

Where:

Y – Financial performance

$\beta 0$ - Constant variable

X1 –Cash reconciliation

ε = Error term

An F-test was conducted to ascertain if the independent factors were statistically significant with respect to the dependent variable. Any variable with a p-value less than 0.05 was considered to have a substantial impact on financial performance since the significance threshold was interpreted at a 95% confidence level.

IV RESEARCH FINDINGS AND DISCUSSION

This section presents the findings of the study examining the effect of cash reconciliations, as a critical component of internal control systems (ICS), on the financial performance of Kenya Power in the Central Rift Region, Kenya. The analysis includes the response rate, reliability test results, descriptive statistics on cash reconciliation.

4.2 Response Rate

Table 4.1 shows the response rate for the study, detailing the number of questionnaires returned versus those distributed.

Table 4.1: Response Rate

Category	**Frequency**	**Percentage (%)**
Returned Questionnaires	53	85.0
Unreturned Questionnaires	9	15.0
Total	62	100.0

Source: Research Data (2025)

The study achieved an 85.0% response rate, with 53 out of 62 distributed questionnaires returned, resulting in a 15.0% non-response rate. This response rate is robust, surpassing the 70–80% threshold recommended for ensuring data reliability in organizational research (Dillman et al., 2014). A high response rate enhances the representativeness and validity of the findings, though the 15.0% non-response may stem from time constraints or reluctance to share financial data, warranting further investigation to ensure comprehensive insights (Fink, 2020).

4.3 Reliability Test Results

Table 4.2 presents the reliability test results for the cash reconciliation variable, assessed using Cronbach's Alpha.

Table 4.2: Reliability Test Results

Variable	**No. of Items**	**Cronbach's Alpha Value**
Cash Reconciliations	5	.787

Source: Research Data (2025)

The Cronbach's Alpha value of .787 for cash reconciliations indicates good internal consistency, as values above .70 are considered reliable for research purposes (Hair et al., 2021). This suggests that the items measuring cash reconciliation practices are cohesive and suitable for assessing their impact on financial performance at Kenya Power.

4.4 Cash Reconciliations

The researcher aimed to evaluate cash reconciliation practices at Kenya Power in the Central Rift Region. The results are presented in Table 4.3.

Table 4.3: Cash Reconciliations

Statement	**SA (%)**	**(%)**	**(%)**	**(%)**	**SD (%)**	**Mean**	**Std. Dev.**
The petty cash records are regularly reconciled.	34	36		8	0	.631	1.052
Surprise cash checks are usually frequently conducted.	54	50		0	0	.351	.684
The company has clearly defined levels of authority and responsibility for each employee.	35	35		0	7	.869	1.023
The company has frequent bank reconciliation of receipts.		2			8		1.1

	9	1	2	0		.631	52
The company has independent internal personnel who verify records.	39	33			7	.735	34 1.1
There is high quality of recording of cash payments.	32	38			0	.267	48 .85

Source: Research Data (2025)

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

According to the study's findings, 38 percent of respondents strongly agreed that petty cash records are regularly reconciled, 46 percent agreed, 2 percent were unsure, and 18 percent disagreed (mean=3.631, SD=1.052). Furthermore, 54% of respondents strongly agreed, 30% agreed, 6% were unsure, and 10% disagreed that surprise cash checks are often done regularly (mean=4.351, SD=0.684). This suggests that unexpected cash payments are often made on a regular basis. The study's conclusions are consistent with those of Maina, Muema, and Mutegi (2021), who found that currency is intrinsically susceptible to fraud and theft by both internal and external parties. Unauthorized withdrawals, skimming, or counterfeit money are just a few examples of the anomalies or disparities in cash management that surprise cash checks assist prevent and identify.

Furthermore, 35% of respondents strongly agreed, 45% agreed, 3% were unsure, 10% disagreed, and 7% disagreed that the company has clearly defined levels of authority and responsibility for each employee (mean=3.869, SD=1.023). A further 45% agreed. This suggests that each employee's degrees of power and responsibility are well-defined inside the organization. According to the results, 41% of respondents agreed that the corporation often reconciles its bank ledgers, 29% strongly agreed, and 12% were unsure. 8% strongly disagreed with the statement that the corporation regularly reconciles its bank receipts, whereas 10% disagreed (mean=3.631, SD=1.152). This suggests that the business reconciles its bank revenues on a regular basis. The research supports the conclusions of Johnson (2020), who found that consistent bank reconciliation guarantees that the company's financial records appropriately depict its true cash position. Differences between the transactions reported by the bank and those documented in the company's accounting records may be found and fixed quickly. This preserves the financial statements' dependability and correctness, which is crucial for compliance and decision-making.

According to the study's results, 43% of respondents agreed, 9% disagreed, 7% strongly disagreed, and 2% were unsure that the organization had independent internal workers who check data. This suggests that the business employs impartial internal staff members who use (mean=3.735, SD=1.134) to confirm records. This suggests that the business has impartial inside staff who check documents. In addition, 32% of respondents strongly agreed and 58% agreed that cash payment recording is of good quality, while 4% were unsure and 6% disagreed (mean=4.267, SD=0.858). This suggests that cash payments are well-recorded. The research supports the results of Maina, Muema, and Mutegi (2021), who found that accurate cash payment recording guarantees that transactions are accurately documented in the business's accounting records. Reliable information on the company's financial performance, position, and cash flow is provided via accurate financial reporting to stakeholders, including lenders, investors, and management, facilitating well-informed decision-making.

4.5 Financial Performance of Kenya Power, Central Rift Region

The researcher assessed the financial performance of Kenya Power in the Central Rift Region, with results presented in Table 4.4.

Table 4.4: Financial Performance of Kenya Power, Central Rift Region (Figures in Ksh Millions)

ear	Property, Plant, and Equipment	Other Non-current Assets	Current Assets	Total Assets	EBIT	ROA (%)
022	267,974	4,709	81,042	353,725	14,857	4.2
021	272,361	3,276	54,832	330,469	8,262	2.5
020	277,333	5,318	49,549	332,200	-4,983	-1.5
019	277,067	-	44,221	321,288	17,671	5.5
018	273,377	-	50,234	323,611	17,798	5.5

Source: Kenya Power (2018–2022)

Note: ROA (%) = (EBIT / Total Assets) × 100

The financial performance of Kenya Power in the Central Rift Region from 2018 to 2022 reflects volatility. Total assets grew from Ksh 323,611 million in 2018 to Ksh 353,725 million in 2022, indicating a stable asset base. However, EBIT fluctuated significantly, with strong profitability in 2018 (Ksh 17,798 million, ROA = 5.5%) and 2019 (Ksh 17,671 million, ROA = 5.5%), followed by a loss in 2020 (Ksh -4,983 million, ROA = -1.5%). Recovery began in 2021 (Ksh 8,262 million, ROA = 2.5%) and continued in 2022 (Ksh 14,857 million, ROA = 4.2%), though performance remained below 2018–2019 levels. This trend suggests operational challenges, possibly linked to weak internal controls, as noted by KPLC (2022), with cash reconciliations playing a role in the partial recovery.

4.6 Inferential Statistics

Inferential statistics were used to draw conclusions about the population based on the sample data, employing Pearson correlation and regression analyses to assess the relationship between cash reconciliations and financial performance.

4.6.1 Correlation Analysis Summary

Table 4.5 summarizes the correlation analysis results between cash reconciliations and financial performance.

Table 4.5: Summary of Correlation Analysis Results

Variable	Pearson Correlation (r)	Sig. (2-tailed)	Interpretation
Cash Reconciliations	0.441	0.006	Positive & Significant

Source: Research Data (2025)

The Pearson correlation coefficient (r = 0.441, p = 0.006) indicates a positive and significant relationship between cash reconciliations and financial performance. This suggests that effective cash reconciliation practices enhance financial outcomes (ROA) at Kenya Power. The finding aligns with Maina et al. (2021), who reported that cash reconciliations reduce fraud and improve profitability in Kenyan firms, and supports Gathoni and Gitau's (2021) emphasis on internal controls for financial accountability.

4.6 Model Summary

Table 4.20 presents the regression model summary, assessing the explanatory power of cash reconciliations on financial performance.

Table 4.6: Model Summary

Model		R Square	Adjusted R Square	Std. Error of the Estimate
1	441a	.194	.181	.6742

a. Predictor: (Constant), Cash Reconciliations

Source: Research Data (2025)

The R-squared value of 0.194 indicates that 19.4% of the variance in Kenya Power's financial performance (ROA) in the Central Rift Region is explained by cash reconciliations. The adjusted R Square of .181 and a standard error of .6742 suggest moderate explanatory power, indicating that while cash reconciliations are significant, other factors also influence financial performance, as noted by PwC (2021).

4.7 Analysis of Variance

Table 4.7 presents the ANOVA results to determine the model's fit.

Table 4.7: Analysis of Variance

Model	Sum of Squares	f	Mean Square	F	ig.
Regression	6.984		6.984	15.363	006b
Residual	29.111	0	.454		
Total	36.095	1			

a. Dependent Variable: Financial Performance (Kenya Power, Central Rift Region)

b. Predictor: (Constant), Cash Reconciliations

Source: Research Data (2025)

The ANOVA results show an F-value of 15.363 and a p-value of 0.006, indicating that the regression model is statistically significant. This confirms that cash reconciliations are a reliable predictor of financial performance, supporting Transparency International's (2022) findings on the role of robust controls in financial stability.

4.8 Regression Coefficients

Table 4.8 presents the regression coefficients for cash reconciliations.

Table 4.8: Regression Coefficients

Model		Std. Error	eta		ig.
(Constant)	052	.213		244	808
Cash Reconciliations	247	.063	441	.920	006

Source: Research Data (2025)

The regression equation is:

$Y = 0.052 + 0.247X + \varepsilon$

Where:

- Y = Financial Performance (ROA)
- X = Cash Reconciliations
- ε = Error term

The coefficient for cash reconciliations is statistically significant (B = 0.247, p = 0.006), indicating that a one-unit increase in the effectiveness of cash reconciliations improves financial performance by 0.247 units. The Beta value (.441) and t-value (3.920) underscore the positive impact, aligning with Gathoni and Gitau (2021), who found that robust internal controls enhance financial outcomes in Kenyan firms.

4.10 Hypothesis Testing

The null hypothesis (H_0) states that cash reconciliations have no significant effect on the financial performance of Kenya Power in the Central Rift Region. The regression results show a p-value of 0.006 ($p < 0.05$), leading to the rejection of H_0 . This indicates that cash reconciliations significantly impact financial performance. The positive coefficient (B = 0.247) suggests that effective reconciliations enhance ROA, consistent with Maina et al. (2021), who found that cash reconciliations improved financial performance in Nairobi's food processing firms by reducing fraud risks. Similarly, Gathoni and Gitau (2021) reported that internal controls, including reconciliations, boost financial accountability in Kenyan organizations. No direct contradictions were found in the reviewed literature, reinforcing the importance of cash reconciliations within Kenya Power's ICS framework.

V. CONCLUSION

This study confirmed that cash reconciliations significantly enhance the financial performance of Kenya Power in the Central Rift Region, Kenya, within the framework of internal control systems. Employees expressed strong confidence in reconciliation practices, including regular petty cash checks, surprise audits, bank reconciliations, independent verification, and accurate record-keeping. Despite this, financial performance showed volatility over recent years, indicating that while cash reconciliations are impactful, other factors also influence outcomes. The findings highlight the critical role of effective cash reconciliations in improving financial accountability and transparency, though broader strategies are needed to ensure sustained stability.

VI. RECOMMENDATIONS

Kenya Power should adopt automated reconciliation systems to streamline processes and reduce errors. Regular training for finance staff on fraud detection and reconciliation techniques is essential to maintain high-quality practices. Increasing the frequency of bank reconciliations to daily or weekly intervals can minimize discrepancies. A

robust monitoring framework, including periodic audits and surprise checks, should be implemented to ensure transparency. Finally, integrating digital payment systems can reduce cash handling risks, enhancing overall financial controls and supporting long-term performance in the Central Rift Region.

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