

**PUBLIC FINANCE MANAGEMENT REFORMS AND PERFORMANCE OF
COUNTY GOVERNMENTS IN KENYA**

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**A Thesis Submitted to the Graduate School in Partial Fulfillment of the
Requirements for the Conferment of the Degree of Doctor of Philosophy in Business
Administration of Laikipia University**

October, 2025

DECLARATION AND RECOMMENDATION

This thesis report is my original work and has not been submitted for the award of a degree or diploma in this or any other university.

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DEDICATION

I dedicate this research work to my beloved family. Your unwavering support, guidance, sacrifices, and faith in my abilities have been fundamental to my academic journey, especially my late father, Mr. Joel Tonui, my mother, Christine Tonui, and my siblings.

To my treasured wife, Julian, and our dear children, Melisa, Melina, and Mellan, your constant encouragement, understanding, patience, and belief in my ambitions have been my greatest source of motivation. You have inspired and sustained my dedication throughout this journey.

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With profound love and gratitude.

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ABSTRACT

The performance of County Governments in Kenya remains a national concern despite their central role in equitable development and service delivery. Persistent systemic challenges hinder their effectiveness. Although public finance management reforms have been introduced to boost performance, the expected outcomes are yet to be fully realized. This study examined the effect of these reforms on County Government performance in Kenya. Specifically, it assessed the effect of resource mobilization reforms, resource allocation reforms, audit reforms and public participation reforms on performance of County Governments, and how legal framework moderates such relationships. The study was grounded on New Public Management theory, Stakeholder theory and Resource-Based theory. The research used a positivism research philosophy and utilized a correlational research design. Target population was the County Governments in Kenya which were clustered into seven Regional Economic Blocs. Counties which had the least budget absorption rate as per the controller of budget report of 2023 were picked by Regional Economic Blocs resulting to seven counties as units of analysis. The top and middle level management employees in the department of finance and economic planning were selected resulting in a target population of 229 respondents upon which a sample size of 144 was determined using Krejcie and Morgan formulae. The study utilized primary data collected through the questionnaire administered on a drop and pick basis. The Statistical Package for Social Sciences Analysis of Moments Structure (AMOS) was used. Analysis of data involved descriptive analysis, factor analysis and structured equation modelling. Results of the study revealed that resource mobilization reforms had a statistically significant effect on performance ($\beta=0.566$, $t=3.390$, $p<0.05$), whereas resource allocation reforms also had a statistically significant effect on performance ($\beta=0.499$, $t=5.578$, $p<0.05$). Additionally, there was a statistically significant effect of audit reforms on performance ($\beta=0.340$, $t=3.343$, $p<0.05$). The results also indicate that public participation reforms had a statistically significant effect on performance ($\beta=0.435$, $t=3.260$, $p<0.05$). Finally, legal framework has a significant moderating effect on the relationship between resource mobilization reforms ($\beta=0.306$, $t=3.504$, $p<0.05$), however, legal framework did not moderate the resource allocation reforms ($\beta=-0.064$, $t=-0.579$, $p>0.05$), audit reforms ($\beta=-0.148$, $t=-1.768$, $p>0.05$) and public participation reforms ($\beta=-0.081$, $t=-1.243$, $p>0.05$) on performance of County Governments in Kenya. The study concludes that resource mobilization reforms, resource allocation reforms, audit reforms, and public participation reforms lead to enhanced performance of County Governments through better service delivery and stronger financial accountability. The study recommends that County governments should institutionalize robust revenue collection systems and improve capacity in resource mobilization. Emphasis should be placed on transparent and equitable budget allocation aligned with county development priorities. Audit reforms should be enforced to strengthen oversight and accountability. Mechanisms for public participation should be enhanced to ensure inclusive governance. Finally, policymakers should also consider reviewing and harmonizing the legal frameworks to ensure they consistently support and reinforce all dimensions of public finance reforms.

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LIST OF ACRONYMS AND ABBREVIATIONS

AGFI	Adjusted Goodness of Fit Index
AMOS	Analysis of Moments Structure
AVE	Average Variance Extracts
CFA	Confirmatory factor Analysis
CFI	Comparative Fit Index
CMIN	Chi-Square Minimum
CRA	Commission of Revenue Allocation
DANIDA	Danish International Development Agency
DPs	Development Partners
FY	Financial Year
IDA	International Development Agency
IERC	Institutional Ethics Review Committee
IFMIS	Integrated Financial Management Information System
NACOSTI	National Council of Science Technology and Innovation
NFI	Normed Fit Index
NPM	New Public Management
OECD	Organization for Economic Co-operation and Development
PCA	Principal Component Analysis
PFM	Public Finance Management
PFMR	Public Finance Management Reforms
RMSEA	Root Mean Square Error Approximation
RoK	Republic of Kenya
SEM	Structural Equation Modelling
SPSS	Statistical Package for Social Sciences
USAID	United States Agency for International Development
VIF	Variable Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Audit Reforms	It refers to improvements of the processes and systems used to audit public finances while ensuring that public funds are used appropriately. In this study, it refers to the transformations in County public finance management that require independent oversight of the County Governments' activities. This study used County Assembly oversight, independent audits, and effectiveness audit committee to measure audit reforms.
Legal Framework	It refers to the body of laws, Rules, standards, and policies that control how public funds are managed. This framework provides the foundation for how public resources are collected, managed, and spent. In this study, the term refers to the regulations and rules guiding the financial in County Governments. To measure the legal framework, existence and sufficiency, implementation and compliance and effectiveness and impact were applied.
Performance	It refers to the effectiveness and efficiency with which public financial resources are managed and utilized to achieve desired outcomes and objectives. In this study, the term refers to the level of discharge services by the County Governments. Operating surplus/deficit, budget absorption, compliance with expenditure limits and level of pending bills were adopted as measure performance.
Public Finance Management Reforms	It refers to the comprehensive set of initiatives, policies, and changes intended at enhancing the effectiveness, transparency, accountability, and effectiveness of public financial management. The phrase describes systematic changes and enhancements to procedures, frameworks, guidelines, and standards governing the administration of public resources funds and resources by Counties. These transformations have been operationalized in this study as revenue mobilization reforms, revenue allocation reforms, audit reforms and public participation reforms.

**Public
Participation
Reforms**

The term refers to the systematic changes and initiatives aimed at enhancing the engagement of citizens and interested parties in the policymaking-making processes of government. In this study, it refers to initiatives, policies, and processes aimed at enhancing the involvement of citizens and stakeholders in decision-making processes related to public policies, programs, projects, and governance. The study used citizen level of participation, citizen empowerment and citizen influence to measure public participation reforms.

**Resource
Allocation
Reforms**

The term refers to the strategies and processes employed to gather resources, especially finances, efficiently, and effectively. In this study, the term refers to transformations made to processes, policies, and mechanisms governing the distribution and assignment of County resources including financial, technological and human. Budget planning, budget control and equitable allocation of resources were used to measure this term study.

**Resource
Mobilization
Reforms**

The term refers to the strategies and changes implemented to enhance the government's ability to generate, collect, and manage financial resources effectively. These reforms aim to broaden the revenue base and improve revenue collection efficiency. In this study, the term refers to transformation in the County Government in acquiring, managing, and utilizing resources effectively to achieve their goals and objectives. This study operationally measured this term using revenue sources, revenue collection and revenue administration.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance is central to any institution's survival and success and the effectiveness of an institution whether public or private depends on its ability to deliver measurable results aligned with its mission as argued by Drucker (1973) and later echoed by Kaplan and Norton (1996) and Liguori and Kelly (2023). It mirrors the effectiveness in governance, meeting the needs of its people, fostering sustainable development, and upholding values of transparency, accountability, and citizen engagement. More importantly, it signifies a dedication to enhancing constituents' welfare and elevating their quality of life, which in turn contributes to broader economic advancement (World Bank, 2023). At its core, the effectiveness of any public institution hinges on its ability to deliver services efficiently, manage resources wisely, and attain set policy objectives. This encompasses a spectrum of activities ranging from service delivery optimization to strategic resource allocation and policy implementation. Ultimately, the measure of success lies in the tangible outcomes achieved, the impact on public welfare, and the alignment with overarching development goals, (UNDP, 2022).

This holistic view of performance underscores its fundamental function in shaping the efficiency and credibility of government entities, fostering public trust, and driving socio-economic progress (World Bank, 2023). The underperformance of public institutions is a multifaceted challenge stemming from various underlying factors. A primary contributor is insufficient funding, which restricts the ability to fulfill core functions and make essential investments in infrastructure and personnel (Ingosi, Odero & Ali, 2024). This financial limitation frequently leads to compromised service delivery and operational inefficiencies. Governments across the world introduced numerous transformations in their Public Finance Management (PFM). This was in quest of enhancing efficiency, transparency, and accountability of their public finances particularly in addressing challenges in service delivery (Salman, 2021).

The objectives of the reforms vary from country to country. Notwithstanding this variance, however, focus has often included modernizing financial management systems, automations, strengthening internal audit functions, enhancing budget

transparency and accountability, and promoting stakeholder engagement in budget processes. One of the key drivers for PFM reforms (PFMR) is the recognition of the crucial role of sound financial management in attainment of long-term and sustainable economic growth and addressing the socio-economic challenges. By implementing the PFMR, the aim has been to streamline financial processes, reduce wastage and increase revenue generation, as well as ensuring efficient and results oriented use of public funds to meet the needs of citizens (Oageng, 2021).

Globally, countries have initiated significant reforms in their public finance management systems, particularly in response to the persistent challenges of public service delivery and the pursuit of development-related objectives. These reforms are often driven by the need to enhance fiscal discipline, improve budget credibility, increase transparency and accountability, and promote efficient allocation and use of public resources. A notable example is the Southeast European region, where several countries have embarked on comprehensive PFM reform agendas. Specifically, nations such as Bulgaria, Moldova, Croatia, and Slovenia have made commendable progress in strengthening their PFM frameworks. These efforts have included the modernization of budget processes, adoption of performance-based budgeting, enhancement of internal controls, and improvements in audit and financial reporting mechanisms (Kanyamuna & Kone, 2022). However, despite these strides, the implementation of PFM reforms in many Southeast European countries remains an ongoing process. According to Swarbrick (2021), while substantial progress has been recorded, several countries in the region have yet to fully complete or institutionalize the reforms, often facing constraints related to political will, institutional capacity, and resistance to change.

According to Khujamkulov (2024) the quest to implement reforms in PFM was prompted by the challenges encountered by these countries. These countries had challenges ranging from issues like mismanagement of public resources and mis-prioritization of projects and programs. Due to these difficulties, governments have been compelled to implement best practices when overseeing their public finances, which has resulted in the implementation of these reforms. The introduction of reforms has made it possible to restructure financially troubled countries and their performance has grown exponentially (Salman, 2021). Reforms in PFM aimed to provide a foundation to changes in the public finances management and its institutionalization of

an overarching plan for reforms in public finance management across the country. These reforms are intended to bring efficient and effective mobilization of revenue and to be transparent in public expenditure. This is achieved through financial disclosure and improved delivery of services to the public. Southeast Europe made tremendous progress in public finance management that has provided crucial support for broader economic and political reforms (Navarro, 2022).

Many OECD countries, including New Zealand, Australia, United Kingdom, Netherlands, France and Denmark, have undergone significant public sector accounting and budgeting reforms over the past three decades. These measures are aimed at achieving goals related to the economy, effectiveness, efficiency and equity (Navarro, 2022). The pressure to restructure public finance stems from the need to enhance efficiency and effectiveness in public functions, build trust with voters and align with economic and political trends. These reforms have been seen as a paradigm shift, enabling countries to become high-income nations. For example, Slovakia's public finance management reforms focused on program budgeting, leading to successful implementation across ministries, state agencies and local governments (Swarbrick (2021).

China introduced its Reforms in public finance management in 1994. The reforms were triggered by the economic crisis, pressure from the public and donors and changes in the political status and regional affiliation demands. The reforms were aimed at enhancing service delivery and aligning them with the best practices as implemented by private businesses and other countries with exemplary performance. The reforms implemented include the target setting, performance measurement and appraisal, accrual basis of accounting, output-linked budgeting, financial delegation and zero-based periodic financial controls and review (Yang, 2021). As argued by Zhang (2020), China had a smooth implementation of financial and tax reforms that led to the introduction of budget law and yielded the cross-year budget balancing from the hitherto single year's budget balancing mechanism.

On the other hand, Russia's reforms in the public finance management were introduced in 1991 when it was clear that the fiscal strategy paper of 1990 could not be implemented. The country's fiscal strategy paper of 1990 had a myriad of challenges in implementation. The difficulty in the implementation of the strategy paper was

caused by the low and diminishing level of collected revenue which stood at forty percent of the budgeted revenue. On the other hand, the budget deficit went double the expectations (Alexeev, Avxentyev, Mamedov & Sinelnikov, 2019). The Russian Government was subsequently forced to revise the budgeting informed by the collectible revenues. The introduction of the reforms was first to give an immediate solution to enhance the budgetary situation, reduce subsidies and subsequently raise tax revenue from all sources. This was aimed at reassigning the collectible revenues to priority project and thus enabling the Russian Government to address critical areas of the economy and more importantly to continue serving its people (Gashenko, Zima & Davidyan, 2019).

Najafi and Yavari (2024) established that the impact of institutional isomorphism is limited under conditions where reform dimensions lack visibility to external observers, do not directly relate to core organizational activities, or involve decentralized stakeholders with diverse professional norms and sources of legitimacy. The study concludes that public financial management reform initiatives that are downstream, operational, decentralized, engage diverse stakeholders, and span multiple years are less likely to succeed, as indicated by respective odds ratios. Conversely, initiatives involving centralized actors or overseen by such actors, such as indirect citizen oversight through parliament, can lead to enhanced quality and experience a higher probability of accomplishment.

In their study, Amankwah-Poku and Preko (2022) discovered that participants showed significant support for the reforms they were involved in, reflecting strong enthusiasm and dedication towards achieving the reform goals. The successful implementation of PFM reforms relies not only on well-defined success factors such as implementation strategies and management but also on the perspectives of the reformers and their capacity to effectively influence the reform process. Liberato, Choban and Serrasqueiro (2024) emphasized the distinctions between industrialized and developing countries' barriers to and motivators for enacting public accounting reforms. The primary barrier in rich nations is inadequate training, whereas the primary barrier in developing nations is a lack of funding. Their results also demonstrate that attempts to modernize and enhance accounting procedures are a major factor driving the push for the adoption of

accounting standards in developed nations. On the other hand, pressure from both the inside and the outside drives reform efforts in developing nations.

Many African countries have implemented reforms in PFM. The Institute of Public Accountant of Kenya, ICPAK (2017) noted that countries such as Ghana, Zambia, Tanzania, Uganda and Kenya have made outstanding transformations in their public finance management. The reforms in most of the African countries focused on budgeting, public sector accounting as well reporting and auditing. The aim has been to enhance public sector performance and overall economic growth (Allen, Schiavo-Campo & Garrity, 2022). In Zambia, PFM reforms were initiated in 2014 which took five years. The Zambian reform agenda was financed by the World Bank. The reforms were focused on automation and cash management reforms, revenue administration reforms, public procurement reforms, internal audit and control reforms and integrated planning and budgeting. The reforms aimed at bringing efficiency and enhancing accountability while managing public finances and other resources (World Bank, 2020). Even though the PFMR objectives were not fully attained, lessons were learnt. This included the commitment of leadership, the need for a strong monitoring and evaluation framework and adequate staffing. Implementation of Integrated Financial Management Information System (IFMIS) under the reforms achieved a success rate of over ninety percent and one hundred percent in treasury single accounts and it was through this background that the Zambia's PFM Act was passed in 2018 (World Bank, 2020).

In Ghana, reforms in Public Finance Management were introduced in 2001, focusing on automation, revenue and expenditure management and internal audit. The most substantial progress was achieved through strengthening the legislative framework. However, Ghana faced significant challenges in implementing these new laws. Revenue management reforms proved to be the most effective, leading to sustained improvements in processes and a significant increase in revenues. Despite these efforts, Public Financial Management results declined significantly in several important areas. This deterioration was evident in a mounting backlog of unpaid bills, a diminished level of budget credibility and a conspicuous disregard for formal spending constraints. These problems were mostly brought on by the PFM reform plan's major goals not being met. On the other hand, Ghana's external oversight significantly improved.

Significant progress was achieved by clearing the backlog of audits, holding public hearings for audit findings before the Public Accounts Committee and making sure that central government audit reports were promptly and consistently submitted to Parliament. Despite these improvements, the overall success of the reforms, relative to the funds expended, has been largely disappointing (Owusu-Akomeah, Asare, Afriyie & Kuma, 2022).

Tanzanian government introduced the reforms in its PFM in 1998, with the strategic intent of attaining growth in the economy, macroeconomic stability and efficient delivery of public services. This initiative aimed to modernize procurement, budgeting, and audit systems to reduce resource wastage and enhance institutional accountability, (World Bank, 2024). During the mid-term review in 2001, a recommendation was made to include budgeting and financial planning, accounting and financial reporting legislating public sector spending, public sector auditing and financial accountability (Pasape & Godson, 2022). Phase two was affected by poor coordination, unclear strategy and lack of commitment to the program. Phase three was undertaken from 2008 to 2011 focusing on sound fiscal management, accountability, and emphasis on value for money on public resources. This led to improved accuracy in revenue forecasts, fund flow became predictive, efficient cash management, and improved accountability (Pasape & Godson, 2022).

In recent years, Uganda has focused heavily on PFM reforms, aiming at enhancing the efficiency, transparency, and accountability of its public financial systems. These reforms cover diverse areas of financial management in government institutions, such as budgeting, managing expenditure, generating revenue, and handling public procurement. An essential aim of these reforms is to enhance the processes of budget formulation and execution in Uganda. This includes aligning budgets more effectively with national development priorities, improving mechanisms for controlling expenditures, and ensuring the efficient allocation of resources to achieve intended results. Uganda implemented changes related to effective and citizen involvement. It led to increased stakeholder involvement in budget processes, improved efficiency in resource allocation and operations, and greater transparency in budgeting. Despite these achievements, challenges persist, including insufficient public engagement, mis-prioritization of public funds, and low absorption of budgeted funds. These challenges

have resulted in a negative impact to the original successes of the reforms (Gumisiriza & Mukasa, 2022). In July 2025, Uganda launched the PFMR Strategy 2025–2030, known as “PFM for Growth and Improved Service Delivery”, focusing on improved tax policy, expenditure control, digital integration, and service-linked budgeting (Ministry of Finance, Planning and Economic Development, 2025).

In Kenya, a comprehensive reform program aimed at strengthening management of public finance was launched in 2006. The program was developed through a consultative process with development partners and covered the period 2006-2011. The main aim of the program was primarily to address longstanding challenges and inefficiencies in the country's public finance management systems (RoK, 2012). These reforms targeted Government ministries and agencies and all other Government departments. The overall aim of these reforms was to promote transparency and accountability in the Government that had led to stagnated economic growth. The reforms were designed to integrate priorities into budgeting, thus ensuring the integrity of budgeting processes, institution of financial management system and timely and accurate financial reports.

Challenges in public finance had long posed a significant barrier to effectively addressing widespread poverty in Kenya. In response, the Government of Kenya partnered with various international development partners including the World Bank, the JICA, the DANIDA, USAID, and Norway to implement the first phase of PFM reforms, which was concluded in 2011 (RoK, 2012). These reforms aimed to strengthen the efficiency and effectiveness of public resource utilization. The outcomes included enhanced budgeting processes, improved service delivery, the adoption of international accounting and auditing standards, and the establishment of more robust financial controls. While Kenya's PFM system has shown periodic progress over time, this progress has not always translated into a substantial or consistent improvement in overall performance. A 2012 Public Expenditure and Financial Accountability assessment focused on key areas, including the extent of unreported government operations, to gauge transparency and accountability within the public financial system (World Bank, 2025). The findings highlighted persisting gaps that continued to hinder full realization of the reforms' intended impact.

The PFMR Strategy for the period 2013-2018 was formulated in 2012 through a consultative approach that was launched in 2013. The 2013-2018 reforms strategy had seven pillars namely, financial reporting reforms, IFMIS reforms, legal and institutional framework reforms, revenue mobilization reforms, revenue allocation reforms, audit reforms and public participation reforms (RoK, 2018). The PFMR Strategy 2013-2018 considered a holistic perspective of PFM issues identified in previous internal and external reviews. It proposed interventions to cure the bottlenecks encountered in PFM. The Strategy aligns with legal framework, including the Kenya Constitution of 2010 and the PFM Act of 2012. Furthermore, it promotes linkages for crosscutting issues to foster synergy among different autonomous or semi-autonomous agencies (Rugutt, Naibei & Cheruiyot, 2019).

The Government in these reforms intended to institute the Treasury Single Account, strengthen budgetary planning and formulation, improvement in the Government investment program management and the extension of government budget implementation (Rugutt, Naibei & Cheruiyot, 2019). Through the mid-term review of the PFMR 2013-2018 in 2015, constraints that had hindered implementation were identified and they included lack of coordination and monitoring framework, incomplete institutional reforms, insufficient funding, and weak human capital. The 2013-2018 reforms registered a success that led to the enactment of PFM legislation for both national and County Governments such as rolling out of IFMIS to state departments and ministries, establishment of accounting standards, improved financial reporting and revenue mobilization at national level and some Counties (RoK, 2020).

Notwithstanding the execution of diverse PFM reform strategies in Kenya, current research has not provided details regarding the achievement of the stated outcomes of the PFMR (Almagtome & Abbas, 2020). Wanyonyi and Theuri (2021) established that the application of IFMIS in Trans Nzoia County helped decrease the spending by the County Government. Ochuodho and Ngaba (2020) established that adoption of technology through IFMIS, revenue diversification and internal control positively affects the revenue collection performance. Cheruiyot, Oketch, Namusonge and Sakwa (2018) on the other hand established that Counties had enough human resources ideal in revenue identification and collection. Further, the means for collection of revenue from the County Government were cost-effective and satisfied the legal framework. On

the dimension of non-financial performance, it was established an improved food security, and a rise in crop production engineered by the County Governments (Cheruiyot, *et. al.*, 2018).

County Governments in Kenya continue to face persistent and interlinked challenges that undermine effective service delivery and the fulfillment of devolution's objectives. Service delivery remains low in many sectors due to inadequate infrastructure, weak governance systems, insufficient planning frameworks and poor own-source revenue collection, where political waivers, revenue leakages, and inefficiencies persist (Sirite, Minja & Njoroge, 2025). Revenue collection at the county level is suboptimal, constrained by narrow revenue bases and weak enforcement mechanisms. Over-reliance on national government transfers has created fiscal vulnerability, and frequent delays in the remittance of equitable share funds from the central government disrupt budget execution, stall development projects, and weaken public confidence (Muthomi & Ndunda, 2024). Political interference in administrative processes, mounting pending bills owed to suppliers and contractors, and frequent labor disputes, particularly in the health sector, further strain county operations. Additionally, many counties face bloated wage bills that exceed the statutory 35 percent cap, consuming large portions of their limited resources and crowding out development expenditure (Cherogony, 2024). Collectively, these factors continue to erode public trust, slow socio-economic progress, and prevent counties from fully delivering on the promise of equitable and sustainable development.

To address the challenges faced by County Governments, Public Finance Management reforms in Kenya have been implemented through a broad framework comprising several interrelated pillars aimed at enhancing fiscal discipline, transparency, and service delivery. These reforms are broadly classified as financial reporting reforms, Integrated Financial Management Information System reforms, resource mobilization reforms, budgetary reforms, legal and institutional framework reforms, resource allocation reforms, audit reforms, and public participation reforms. While all these reforms are critical to strengthening public finance systems, this study focused on four reforms for several reasons. Resource mobilization reforms are essential in ensuring county governments generate adequate own-source revenues to support service delivery and reduce over-reliance on national transfers (CRA, 2022). Resource allocation

reforms are vital in promoting efficiency and equity in the distribution and utilization of financial resources, aligning expenditure with strategic priorities (National Treasury, 2021). Audit reforms enhance accountability by ensuring that public resources are used for their intended purposes through improved internal and external audit mechanisms (OAG, 2023). Finally, public participation reforms promote inclusivity and transparency in decision-making, enabling citizens to influence budgetary and developmental priorities (CoB, 2022).

The selection of these four pillars reflects their direct and measurable impact on the financial and service delivery performance of county governments. These four reform areas, as highlighted by several institutions such as the National Treasury, Controller of Budget, Auditor-General, and Commission on Revenue Allocation directly address the persistent challenges county governments in Kenya face. Although several studies such as Rugutt, Naibei and Cheruiyot (2019) investigated elements of PFM reforms, there remains limited empirical evidence specifically examining how they interact to influence county performance. This justifies the need for deeper investigation in the Kenyan devolved context.

The legal framework was selected as a moderating variable in this study because, although counties in Kenya operate under a common national legal structure primarily guided by the Constitution of Kenya (2010), the Public Finance Management Act (2012), and various regulations issued by the National Treasury and oversight bodies like the Controller of Budget and Auditor-General the degree of domestication, implementation, interpretation, and enforcement of these public finance laws varies significantly across counties. Each County Government is required to develop its own legal instruments, including Finance Acts, Appropriations Acts, Budget Implementation Circulars, County Fiscal Strategy Papers, and Integrated Development Plans, within the broader national framework, (COB, 2023). However, the effectiveness and timeliness of enacting and operationalizing these instruments differ, with some counties demonstrating strong legal compliance and internal controls that support financial accountability and participatory budgeting, while others lag due to weak institutional capacity or governance challenges, (OAG, 2022).

This disparity makes the legal framework a suitable moderating variable, as it can either strengthen or weaken the relationship between public finance management reforms

such as audit reforms, resource allocation reforms, and public participation reforms and county government performance. Counties with more robust and enforceable legal frameworks are better positioned to translate PFM reforms into improved service delivery and performance outcomes compared to those with weaker legal and institutional arrangements, (Gakure, Wanjiku & Kiragu, 2020). Performance of County Government was assessed using the following indicators: operating surplus/deficit, budget absorption, compliance with expenditure limits, and the level of pending bills.

This study was anchored on the New Public Management Theory, Stakeholder Theory, and the Resource-Based View. These theories offer a comprehensive lens through which the effectiveness of Public Finance Management reforms can be evaluated in a devolved governance context. The New Public Management Theory advocates efficiency, accountability, and performance-based management within public institutions, aligning closely with the objectives of resource mobilization, resource allocation, audit, and public participation reforms. Empirical studies such as Kinyua (2021); Otieno and Simiyu (2020) have shown that counties that embrace New Public Management-oriented reforms tend to record improved financial transparency and service delivery. However, many of these studies have not explicitly linked New Public Management Theory to the interactive effect of multiple PFM reform areas at the subnational level.

The Stakeholder Theory underlines the importance of involving all actors in the public finance process, particularly citizens, audit institutions, and government officers. This theory supports public participation and audit reforms by emphasizing inclusive decision-making and accountability. The Resource-Based View posits that internal capabilities such as effective resource mobilization systems can offer a strategic advantage. Applied to PFM reforms, this suggests that counties with well-developed mechanisms for own-source revenue collection and prudent allocation stand a better chance of achieving financial sustainability and quality service delivery. Nonetheless, the Resource Based View is underutilized in empirical PFM research, with limited studies linking internal reform capacities to county government performance. Therefore, this study contributes to the existing body of knowledge by applying a multi-theoretical approach to analyze how selected PFM reforms interact to influence the performance of county governments in Kenya. By addressing both theoretical and

empirical gaps, the study provides a more holistic understanding of the effectiveness of PFM reforms in devolved units.

1.2 Statement of the Problem

The performance of County Governments in Kenya remains a matter of national concern, as these devolved units are central to the realization of equitable development and improved public service delivery. Despite the devolution of resources and responsibilities, County Governments continue to face numerous systemic challenges that compromise their effectiveness and ability to deliver on their mandates. These challenges cut across multiple dimensions, including weak revenue mobilization, inefficient budget execution, poor project implementation, limited public participation, inadequate accountability mechanisms, and weak governance structures. For instance, the potential revenue generation capacity of Counties amounts to Ksh. 216 billion annually. Despite this potential, actual revenue collection has consistently fallen below twenty percent of this figure.

Moreover, the revenue collection trend has been declining steadily, from Ksh. 41 billion in the fiscal year 2018/19 to Ksh. 32 billion in fiscal years 2021/22. Over the past five fiscal years up to FY 2021/22, 36 out of 47 Counties have exceeded the threshold of spending 35 percent of their revenues on salaries and wages, thereby breaching the stipulated limit on County expenditure for these purposes. Additionally, 35 out of the 47 Counties allocated less than 30 percent of their budgets to development projects during the same period. Furthermore, after the completion of the fiscal year 2021/22, all the 47 Counties cumulatively had accumulated pending bills totaling Ksh.161.36 billion. Of this amount, Ksh. 33.98 billion was earmarked for development projects, while Ksh. 127.38 billion was allocated for recurrent expenses. The cumulative effect of these performance gaps has significantly impacted local communities. Citizens in many counties continue to face limited access to quality healthcare, poor road infrastructure, low quality education unreliable water supply, and underfunded agricultural support services among others. These deficiencies have in turn contributed to stagnated local economic growth, poor livelihoods, and diminished trust in local governance systems. The promise of devolution, improved service delivery, citizen empowerment, and inclusive development, has yet to be fully realized.

Despite the implementation of these reforms, the performance of County Governments has not yet reached the anticipated optimal levels. This raises critical questions about the effectiveness of these reforms in addressing the multifaceted performance challenges facing counties. Consequently, this study seeks to investigate the extent to which public sector reforms, spanning resource mobilization, resource allocation, audit, and public participation reforms, have influenced the performance of County Governments in Kenya. Understanding these linkages is essential for informing policy, strengthening governance, and enhancing service delivery for sustainable socio-economic development across all counties.

1.3 Purpose of the Study

The primary objective of the study was to assess the effect of public finance management reforms and performance of County Governments in Kenya.

1.4 Objectives of the Study

The following were the specific objectives of the research.

- i. Examine the effect of resource mobilization reforms on performance of County Governments in Kenya.
- ii. Establish the effect of resource allocation reforms on performance of County Governments in Kenya.
- iii. Assess the effect of audit reforms on performance of County Governments in Kenya.
- iv. Examine the effect of public participation reforms on performance of County Governments in Kenya.
- v. Investigate the moderating effect of legal framework on the relationship between public finance management reforms and performance of County Governments in Kenya.

1.5 Research Hypotheses

The study was guided by the following research hypotheses.

H0₁: There is no statistically significant effect of resource mobilization reforms on performance of County Governments in Kenya.

H0₂: There is no statistically significant effect of resource allocation reforms on performance of County Governments in Kenya.

H0₃: There is no statistically significant effect of audit reforms on performance of County Governments in Kenya.

H0₄: There is no statistically significant effect of public participation reforms on performance of County Governments in Kenya.

H0₅: Legal framework has not statistically significantly moderating effect on the relationship between public finance management reforms and performance of County Governments in Kenya.

1.6 Significance of the Study

The outcome of this investigation is of importance in several ways to a varied number of parties such as policymakers involved in County Government performance. Institutions such as the National Treasury, the Senate, County assemblies, County Governments and Commission of Revenue Allocation may find the results valuable. These entities are responsible for developing policy guidelines and regulations that affect how public finances are allocated, spent, and managed within the County Governments. The study's findings inform future policymaking by shedding light on how past policies have been effected in influencing performance.

The second group of beneficiaries is the upcoming researchers and academicians. The study forms the foundation upon which the future researcher on a similar subject may ground their studies on. At the conclusion of this research, a section for suggestions for further studies is provided requiring further to be considered during formulation of their research topics. Further, the study findings inform curriculum development to be taught in learning institutions. Lastly, the public is also among the parties to benefit from the outcome of this research in that they are interested in understanding the County Government level of performance which is key in delivery of service. The public therefore holds the County Governments accountable for their action.

The public gains a clearer understanding of the reasons behind the level of service delivery they receive from their County Governments. Through detailed explanations and transparent communication, residents are informed about the specific factors contributing to the improved service delivery. This includes insights into the strategic decisions, resource allocations, and operational changes that have led to enhanced performance. By outlining the underlying processes and the rationale behind recent improvements, the County Government aims to foster a deeper appreciation among the

public for the effectiveness and efficiency of the services provided, as well as to build trust and reinforce the value of continued investment in public service initiatives.

1.7 Scope of the Study

The study was carried out in the forty-seven Counties in Kenya. The variables of interest were resource mobilization reforms, resource allocation reforms, audit reforms and public participation reforms and legal framework as moderator. The study selected one County from each of the six Regional Economic Blocs and one County from the three Counties not integrated into Regional Economic Blocs. The selection criteria for each County were based on the development budget absorption rate in 2023 as per the controller of budget report. The use of the 2023 development budget absorption rate as a selection criterion was justified by its reliability as a recent, objective indicator of county government performance, reflecting the efficiency of public finance management and the actual implementation of development priorities that directly affect community welfare.

Specifically, the study chose the Counties with the least development budget absorption rate. Based on these criteria, the study was conducted in Tana River, Machakos, Garissa, Kiambu, Turkana and Kisii County from Coastal, Southeastern, Frontier Counties, Mt. Kenya, North Rift and Lake basin Regional Economic Blocs respectively and Nairobi County from the unclassified Counties. The time scope of the study covered the period from 2013 to 2024 aligning with key phases of PFM reform implementation in Kenya following the full operationalization of devolution under the 2010 Constitution. This time frame enabled the study to assess the reforms' cumulative impact over a meaningful period. Data collection was done between May and August 2024.

1.8 Limitations of the Study

While this study provides valuable insights into the effect of public finance management reforms on the performance of County Governments in Kenya, it is subject to several limitations. First, the study covered only seven Counties out of Kenya's forty-seven (47) Counties. While care was taken to ensure regional representation, the findings may not fully capture the diversity of fiscal and administrative practices across all counties, thus limiting the generalizability of the results. To mitigate the effect of

studying only seven counties, the selection was done to ensure regional representation by choosing one county from each of Kenya's seven Regional Economic Blocs.

This increased the geographic and contextual diversity of the sample, improving the external validity of the findings. Secondly, the study was cross-sectional in design, collecting data at a single point in time. This does not account for temporal changes or trends in public finance reform implementation or county performance or capture long-term trends in the implementation and impact of PFM reforms, particularly where outcomes may materialize gradually. This limits the study's ability to make causal inferences or assess the long-term effectiveness of the reforms. To minimize the impact of this limitation. The questionnaire was designed to require the respondents to reflect on past trends, helping to supplement the snapshot with broader insight, even within a cross-sectional design.

Lastly, the study relied on primary data collected through self-reported questionnaires which are inherently subject to biases such as exaggeration, underreporting, or social desirability effects. Although these respondents were well-positioned to provide informed insights, the responses may have been subject to bias, such as over-reporting of compliance or under-reporting of inefficiencies, due to concerns about institutional image or personal accountability. Several measures were taken to minimize this limitation. First, the study targeted experienced top and middle-level officials in the departments of finance and economic planning presumed to possess the relevant knowledge and involvement in public finance management processes, thus increasing the reliability and relevance of their responses. Further, the questionnaire was carefully designed and pilot-tested to ensure clarity, neutrality of language, and alignment with the constructs under investigation. Anonymity and confidentiality were assured to respondents, reducing the likelihood of socially desirable responses or fear of reprisal.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has been divided into three segments. The study's theoretical underpinnings are covered in the first section. Previous studies in related fields are presented in the second section, along with knowledge gaps that the present research seeks to address and the conceptual framework.

2.2 Theoretical Review of Literature

Three theories served as the foundation upon which this study was anchored on. The theories included: new public management theory, stakeholder theory and resource-based theory.

2.2.1 New Public Management Theory

The New Public Management (NPM) theory was proposed by Hood in 1991. This was in response to identified inefficiencies and bureaucratic limitations within conventional public administration. NPM theory champions a shift towards a public sector management approach that is more aligned with business principles and market-driven strategies. The theory represents a renewed focus and paradigm shift in the governance and management of public sectors. This theory outlines a set of administrative policies that have been prominent in civil service reform agendas across many developed countries. It proposes seven fundamental principles for administering the NPM methodology in public sector resource administration. The principles include the application of private business-style leadership in the running of public entities, clearly outlining the public entities' vision and development of a strategic plan (Gruening, 2001).

Formulation and implementation of robust policies which are aligned to the strategic plan and objectives, design and implementation of agile monitoring and evaluation mechanism. The theory further calls for application of a performance management system that guarantees the evaluation of implementation of strategic plans and ensure timely corrective actions, decentralization of government services to get rid of bottlenecks and increase efficiency and flexibility in the discharge of government services, and adequate monitoring of implementation of contracted services. Developed

economies like the US, UK, and Australia were the main places where NPM methods were first adopted. The idea posits that to improve the efficiency in how public institutions discharge their mandate, it calls for putting in place mechanisms that ensure efficiency, especially in the critical areas of public performance.

The NPM theory has not gone without criticisms. For instance, the theory has been criticized for the emphasis of efficiency. The focus on efficiency often leads to neglecting other important public services and values such as equity, social justice, and citizen participation. Further, cost-cutting may result in a decline in the quality of services, as agencies prioritize meeting targets by addressing broader societal needs. Hooijberg and Choi (2001) also pointed out that private entities have different styles of leadership and management from public institutions. To mitigate the impact of applying this theory to the present study, the NPM theory has been applied with other theories such as the resource-based theory which argues that performance of a firm is dependent on the quantity of resources it controls. By taking a broader view of stakeholders, organizations can balance efficiency with considerations of social responsibility, environmental impact, and ethical concerns. Stakeholder theory advocates for decision-making that considers the interests and concerns of all stakeholders, not just maximizing short-term efficiency as highlighted by Freeman and Phillips (1984).

Despite criticism of the NPM, it has also brought about significant improvements in public sector management. For instance, it has helped in enhancing accountability and transparency in government operations by introducing performance measurement systems and emphasizing results-oriented management practices. Furthermore, NPM has encouraged the adoption of efficiency-driven processes, leading to cost savings and improved resource allocation within public agencies as discussed by Barrios-Alvarez, Salifu, Adhikari, Giraldo-Villano and Gomez-Mejia (2023). The NPM theory has been applied to anchor several past studies, for instance, Mutinda (2021) adopted this theory to connect effective public financial management practices, such as financial planning, financial reporting, internal controls, and revenue mobilization with improvements in organizational performance.

This theory was adopted in this study to anchor the performance of County Governments and audit reforms variables. County Governments were established with

the aim of enhancing public service delivery to the citizens. This being a renewed spirit in public service delivery, Counties were expected to focus on citizen needs, decentralizing decision-making, implementing performance metrics, and cost efficiency, NPM aims to enhance efficiency and responsiveness in public services. This enhancement in service delivery points to the tenets of this theory. This justifies reforming the style of management of public resources through the proposed New Public Management principles.

2.2.2 Stakeholder Theory

This theory, which was developed by Freeman and Phillips in 1984, emphasizes the connections that a business has with its suppliers, customers, investors, staff, community among other stakeholders in the organization. The proponent of the theory defined a stakeholder as any party who affects or gets affected by the action of the firm. This theory demands that a company ought to establish worth for all the participants as opposed to creating value for shareholders only. The notion of this theory acknowledges the significance of considering and weighing the interests of different stakeholders when making decisions and conducting business within an organization. It highlights that companies and organizations should consider the requirements and worries of all stakeholders who are impacted by or could influence the organization's operations in addition to concentrating on maximizing shareholder value.

The theory addresses the dynamics of responsibility, accountability, and power distribution within society. Stakeholder Theory focuses on recognizing and managing the specific groups of stakeholders that require attention from organizational management. This theory provides a broad perspective on organizational management by encouraging businesses to look beyond mere profit maximization and to consider the diverse interests and needs of all relevant parties, (Freeman & Phillips, 2002). One of its key principles is stakeholder salience, which involves evaluating the importance of stakeholders grounded on three principles: their legitimacy, power and urgency. By understanding which stakeholders possess significant influence, have legitimate claims, and have pressing needs, organizations can more effectively prioritize their engagement strategies and address the interests of those who are most critical to their operations and success. Critics such as Ambler and Wilson (1995) argue that despite its widespread acceptance and influence, stakeholder theory has its share of criticisms.

A prominent critique is that it prioritizes the equitable distribution of benefits without adequately emphasizing the primary purpose that drove the establishment of organizations in the first place. Key (1999) contended that stakeholder theory's lack of specificity hinders its ability to be operationalized for scientific scrutiny. Balancing these interests may lead to trade-offs and conflicts. Despite encountering various criticisms, this theory remains a crucial framework for organizations. It urges them to consider the interests and impacts of a diverse group of stakeholders. This approach offers a holistic view, encouraging institutions to address the needs and concerns of employees, customers, suppliers, communities, and other relevant parties. By integrating these perspectives, organizations can more effectively manage their responsibilities and make informed decisions that balance profitability with broader societal and ethical considerations. This theory has been applied by past researcher to anchor their studies for instance, Sunkuyia (2024) adopted this theory while conducting a study on stakeholder involvement and strategy implementation in Narok County Government,

In this study, the independent variable (public participation reforms) was grounded on this theory. It underpins the involvement of the citizens as stakeholders in running County Government projects. In the realm of County public finance management, key stakeholders comprise the electorate, contractors and leaders, civil society, suppliers, and the national government. This study recognizes citizens as central stakeholders in the governance process and emphasizes the need for their perspectives to be adequately represented. The decision-making process involves the public as a key stakeholder, further, Kenya's constitution promulgated in 2010 made it compulsory for any public entity to have public participation in major public undertakings.

2.2.3 Resource-Based Theory

This theory was first proposed by Barney in 1996, which posits that an entity's competitiveness is dictated by the extent of resources it possesses. The theory is applied in determining the nature of resources that an organization can adopt to acquire a competitive edge, and the emphasis of the theory is on firms' internal resources. Firm resources form the basis for developing firm capabilities, which can result in sustained superior performance over time. The theory highlights that a firm's resources include

human, financial, technological, and physical resources. These resources are imperfectly mobile and heterogeneous. Firm management is required to understand and engage these resources in a manner that will lead to attaining a sustainable competitive advantage. Barney proposes key managerial tasks related to resources, which include identifying the organization's key resources, assessing resources using VRIN criteria (valuable, rare, imperfectly imitable, and non-substitutable), and developing, nurturing, and safeguarding the resources that pass this evaluation (Holdford, 2018).

Barney (1996) argued that firms are diverse and are endowed with varying resources; this implies that firms can employ different strategies to attain different levels of competitive advantage. This theory provides a useful framework in determining the strategic resources that an entity can take advantage of to realize sustainable competitive advantage. This approach places emphasis on managers' attention to the company's internal resources when identifying resources, skills, and abilities that can give them a competitive edge. The internal resources are applied by firms to organize the process and obtain long-term success. Firms are therefore expected to have or develop firm-specific resources that are unique to enable them to surpass competitors or by doing different things. According to this theory, an organization's inimitable resources including specialized knowledge, proprietary technology, skilled employees, and efficient processes—can be utilized to establish and sustain a competitive edge. By emphasizing these internal strengths, firms can differentiate themselves from competitors, adapt to market changes, and build resilience, ultimately leading to enduring success in a competitive and ever-evolving landscape.

Resource-based theory faced criticisms, challenging its applicability and generalizability. Connor (2002) argues its focus on larger businesses with considerable market dominance limits its relevance to smaller firms that may not rely on static resources for sustained competitive advantage. This limitation excludes these smaller firms from the theory's framework. Gibbert (2006) argued that RBT's emphasis on the uniqueness of resources restricts its ability to be widely applicable, rendering it impractical and overly academic. Nason and Wiklund (2022) contributes to the criticism by questioning the theory's generalizability. He argues that while firms may have varying resource configurations, if these resources provide equal value across firms, they may not confer competitive advantages. Moreover, meeting Barney's VRIN

(Valuable, Rare, Inimitable, Non-substitutable) conditions for resources can be challenging, further limiting the theory's practicality. An important insight from these criticisms is that not all resources hold equal importance for firms.

Nag and Gioia (2012) further complement this critique by highlighting the difficulty in comparing firms when every firm's resources are considered unique, complicating efforts to assess competitive advantages across organizations. To address this limitation, the target population was specifically composed of County Governments. By focusing on County Governments, the research aimed to mitigate the effects of the limitation and provide a more relevant and accurate analysis of the subject matter within a clearly defined context. Varying in size from small to larger firms and endowed differently with resources instead of solely focusing on large firms with abundant resources. Further, while not all resources may meet all VRIN criteria universally, they can still provide advantages depending on the context. Conversely, a previously non-VRIN resource may become valuable and rare through strategic development. Lastly, County Government may combine and leverage complementary resources to achieve VRIN attributes collectively.

Despite these criticisms, Resource-Based Theory remains a valuable framework for understanding the strategic importance of resources and capabilities in achieving sustained competitive advantage. Past studies that have adopted this theory included Mutiria (2024). The theory was pertinent in highlighting that corporate entrepreneurship serves as a crucial corporate resource, offering business enterprises a competitive edge. Iravonga (2023) employed this theory to analyze IFMIS, organizational resources, and County financial management. The theory proved relevant by elucidating how internal controls contribute to effective financial management. It underscored the importance of proficient resource management for achieving optimal outcomes. The theory is employed in the study to anchor the independent variables, resource mobilization reforms and resource allocation reforms. County Governments identify sources of revenue and develop the existing source while seeking to attain the state of resource sufficiency. According to the theory, a competitive advantage of any institution is dependent on the state of resources it controls and their uniqueness. In quest for improved County Government performance therefore, Counties need adequate resources. On the other hand, the resource allocation

reforms, the theory is relevant in ensuring that the County Government allocates resources to priority projects with high returns.

2.3 Empirical Review of Literature

The section provides a review of existing literature. This review of existing literature was significant to the study as it uncovered the studies that have already been conducted which were useful in demarcating the boundaries for the current study. This review of past studies led to the identification of research gaps and revealed strategies and methodologies adopted by past researchers. These were instrumental in coming up with research methodology for the current study.

2.3.1 Resource Mobilization Reforms and Performance of County Governments

Resource mobilization encompasses all activities conducted by an organization to acquire new and additional financial, human, material, and technological resources to further its objectives (Adegboye, Uwuigbe, Ojeka, Uwuigbe, Dahunsi & Adegboye, 2022). Previous research has explored the relationship between resource mobilization and organizational performance. For instance, Arsallya, Azwardi, and Yusnaini (2021) examined factors influencing capital expenditure and financial performance in Indonesian provincial governments. Their findings indicated that local own-source revenue significantly affects capital expenditure, while economic growth, balanced funds, and sound budgeting practices positively influence government spending. However, as the study was conducted in a more developed economic setting, its findings may not be fully applicable to developing countries. Moreover, it relied on secondary data and focused mainly on financial ratios, thereby overlooking non-financial aspects of resource mobilization.

In contrast, the current study investigates resource mobilization in the context of a developing country by incorporating both financial and non-financial indicators. It also employs primary data collected directly from County Governments, offering timelier and context-relevant insights into the relationship between resource mobilization practices and government performance. This approach provides a more comprehensive understanding of how resource mobilization contributes to public sector effectiveness. Adu, Buabeng, Asamoah and Damoah (2020) on digitization of collection of local revenue in Accra, Ghana. The study aimed to assess sources of revenue and understand the circumstances limiting the effectiveness of collection of revenue. The research

uncovered that the main sources of revenue for the Accra Metropolitan Assembly are property rates, market tolls, licenses, and parking fees, with property rates contributing the most to the revenue. It was found that revenue mobilization faces challenges such as insufficient data on sources of revenue, and absence of by-laws for revenue mobilization enforcement. Further, it was noted the shortage of collectors of revenue, and the lack of adequate training for revenue collection staff.

The study investigated the impact of digitization on revenue collection in Accra and is useful in understanding the impact of technology on performance. Digitization according to the current study was considered as one of the resource mobilization reforms. A gap was left in how resource mobilization reforms influence the performance of County Governments which the current set out to explore. Njau, Kombe and Melyoki (2025) investigated the impact of Tanzania's fifth phase government directive on enhancing domestic resource mobilization through non-tax revenues. It specifically examines how public institutions, and statutory corporations have responded to this directive in the context of developing countries' revenue challenges and the global call for sustainable financial systems. The findings reveal that the directive has led to increased tax and non-tax revenue remittances, improved financial stability and enhanced service delivery, while highlighting variations in institutional responses. However, challenges persist, including inconsistencies in non-tax revenue collection and underperformance among certain public Institutions and statutory corporations.

The study emphasized taxation reforms and their impact on government revenues. This left a gap in how non-tax revenues such as service charges, fees, rents, penalties impact revenue performance how can counties sustainably enhance own-source revenue mobilization beyond taxation to strengthen fiscal autonomy and reduce over-reliance on equitable share transfers. The focus of the current research concentrates on non-tax by the County Governments and how it has influenced the performance. Katonon and Moi (2024) set out to explore the power of mobilization of resources on the execution of national government constituency-funded projects within Embakasi South Constituency, Nairobi County. The study focused on a diverse group of participants, including 10 national government officials, 95 committee members, 59 beneficiary stakeholders, and area fund managers. Data for this research gathered through both

primary and secondary sources, encompassing a mix of qualitative and quantitative information. The analysis revealed a significant unidirectional connection of mobilization of resource efforts and the successful implementation of projects, highlighting the crucial role that effective resource mobilization plays in the realization of constituency-funded initiatives.

The researchers concluded that while respondents perceived that the mere availability of resources may not always impact project implementation, they acknowledged specific challenges associated with obtaining physical resources. While Katonon and Moi's study offers insights into the importance of resource mobilization in the successful implementation of development projects, the findings of the study may not be generalized across the various Kenyan Counties. The current study sought to address this limitation by performing a study across the Kenyan Counties. Mukhwaya, Ngala and Mungai (2023) examined the effect of cashless reform on revenue collection performance in Kakamega County following the 2019 revenue mobilization reforms. The study adopted descriptive, correlational, and causal-comparative research designs and utilized secondary data to compare revenue collection before and after the reform. Data analysis involved both descriptive and inferential statistics, including Pearson correlation and regression analysis. The results showed a moderately positive relationship between cashless reform and revenue collection.

The study recommended adoption of simplified, cost-effective systems and strict sanctions for tax evasion. However, the focus on cashless reform alone and limitation to Kakamega County restrict the generalizability of the findings and do not account for the broader scope of revenue mobilization reforms in County Governments. The current study was carried out of all major public finance management reforms using the Regional Economic Blocs for generalizability of findings. Likoko, Barasa and Khaemba (2022) assessed the impact of mobilization of resources on academic performance. The study was motivated by stakeholders' concerns in education over poor academic performance and targeted a total of 360 schools in Bungoma County. The target respondents were the secondary school principals, chairpersons to the board of management and the directors of studies. Closed-ended questionnaires were utilized in the study to gather primary data using a simple and purposeful random sample technique. The study found a strong and favorable relationship between Bungoma

County public secondary schools' academic performance and their mobilization of resources.

Resource mobilization strategies individually or combined effect with other factors affected the organization's performance. Revenue mobilization reforms by themselves reported a mere 1.3 percent influence on performance, indicating only a weak positive correlation. In contrast, the collective influence of public finance management reforms explained a notable 92.8 percent of the alterations. This substantial percentage underscores the critical role that comprehensive public finance management reforms play in driving meaningful changes in organizational outcomes. However, the study was focused on learning institutions whereas the current study concentrated on County Governments in Kenya

In a study more related to the current study, Kisaka (2021) explored the PFM and its relationship to the County Government operational performance targeting the 47 Counties. The target respondents were finance managers. Results of the research revealed that monitoring and financial controls positively affect financial performance whereas budget controls and financial accountability were established to have a moderating effect in the relationship between PFM practices and performance of County Governments in Kenya. However, the study focused on public finance management practices which explained 63.2 percent of the changes in government operational performance. The current study contrasted this study as it contextualizes public finance management reforms in terms of resource mobilization reforms, resource allocation reforms, audit reforms and public participation reforms. Kisaka (2021) focused on public finance management practices which were measured in terms of budgetary controls, financial accountability, financial controls and financial monitoring and linked to their influence of financial performance of County Governments.

In Kenya, Mutinda (2021) investigated how commercial state enterprises in performed after changes to public financial management. Through changes to internal control frameworks, financial reporting procedures, revenue mobilization strategies, and financial planning, the study envisioned public finance management. It made use of the agency theory, participatory budgeting theory, and new public financial management theory. The investigation used both simple and multiple linear regression using a mixed-method research design that included cross-sectional, descriptive, and

correlational techniques to evaluate independent and combined effects. The findings showed that financial planning reforms alone accounted for 21.9 percent of the variance and had a substantial positive correlation with organizational performance. Nevertheless, there was no revealed significance when financial planning was evaluated alongside other variables.

The study by Mutinda (2021) on the performance of commercial state enterprises in Kenya after changes to PFM reforms provides useful insights into the impact of reforms on financial management practices, particularly internal control frameworks, financial reporting procedures, revenue mobilization, and financial planning. However, the study was carried out in commercial state-owned enterprises where the current study was performed in County Governments. Yussuf and Abdul (2022) explored various PFM techniques, including resource management, budgetary management, internal auditing, and financial policies in Mandera County. The research focused on a cohort of 145 employees from the revenue department of Mandera County Government. With the utilization of semi-structured questionnaire, primary data distributed to a stratified sample of 95 employees, complemented by secondary data sourced from publicly available financial records. The conclusions revealed a significant unidirectional connection between financial performance and the implementation of changes in public finance management metrics.

Although Yussuf and Abdul's (2022) study closely aligns with the current study in terms of measuring public finance management, it may not be directly replicable in other Counties in Kenya other than Mandera County where the study was carried out. This current study bridged the gap in knowledge by performing a study in a more representative County in Kenya, selecting one County from each of the six economic blocs as the sample. Walubengo (2022) examined how outsourcing revenue collection affects revenue optimization in three western Counties in Kenya. The research employed a survey design, focusing on all revenue personnel. A comprehensive census approach was adopted, and the study involved all the revenue staff totaling 112 participants from the three Counties. It was revealed a unidirectional connection amongst outsourcing and enhanced revenue collection in these Counties, suggesting that outsourcing contributed to increased revenue. While their study focused on

Western Kenya, the current research covered Counties across the country, offering findings that can be applied across the regions.

Ndunda (2024) explored the effects of revenue management, auditing practices, and debt management on financial distress in Kenya's County Governments, also examining how resource allocation moderates these relationships. The research was based on six theories, including resource dependency and financial distress theories. A descriptive survey research design was employed, gathering data from 103 auditors and accountants across Nairobi, Kakamega, Nakuru, Kilifi, and Meru County Governments, selected through stratified random samples from a total of 212 participants. Data collection was conducted using questionnaires, and the analysis was performed with descriptive and inferential statistics using SPSS. The results revealed that local revenue management, auditing practices, debt management, and financial information systems significantly affect financial distress, showing a strong correlation between these financial management aspects and the levels of financial distress in County Governments. While the study included multiple Counties, its replicability is limited due to the geographical diversity of the selected Counties. The current study aimed to assess the impact of various dimensions of public finance management reforms on County performance, focusing on different Counties from various regions to enhance replicability.

2.3.2 Resource Allocation Reforms and Performance of County Governments

Arsallya, Azwardi and Yusnaini (2021) studied capital expenditures and its relationship and implication on financial performance in Provinces in Indonesia and established a positive relationship between local revenue and capital expenditure. On the other hand, economic growth, adequate budgets, and surplus budget calculation positively affected the government capital expenditures. Consequently, applying these findings to developing economies, such as Kenya, poses challenges due to differing economic contexts and conditions. The disparity in economic environments means that while the correlation observed in developed nations is insightful, it may not fully translate to or predict outcomes in developing countries. The current study therefore was performed in a developing country. Correa, Osborne and Lisboa (2021) found in the study of Mayoral leadership and resource allocation in Brazilian local government that all the

stakeholders have influence in decision making regarding government expenditure and investments in infrastructure.

It was further established that Mayors are not the sole decision makers despite being at the peak of the provincial administration. The stakeholders shape the resource allocation decisions in local government. Kusimba, Cherono and Melly (2024) investigated the influence of budgetary processes on the performance of County Governments within the Western Region Economic Bloc in Kenya. Their research focused on the effects of budgetary planning, implementation, control, and auditing on the financial performance of Counties in this bloc. Grounded in budgeting theory, the study employed a causal explanatory research design. The target population included 191 budgeting officers, accountants, and internal auditors from five Counties. Data was collected using structured questionnaires and document analysis, with both descriptive and inferential statistics applied for analysis. The findings revealed that budgetary planning, implementation, control, and auditing significantly impact financial performance. However, the study's focus on the Western Region Economic Bloc may limit the generalizability of its findings to Counties outside this area. In contrast, the current study adopts a nationwide perspective.

Nurfadila (2024) carried out a study focused on analyzing public financial management by integrating performance evaluation with cost systems. This investigation used a qualitative method. The research process included systematic searches for pertinent studies, followed by thematic analysis and synthesis of the findings. The results highlighted that merging evaluation of institution's performance with systems for cost management can lead to enhanced financial management in the public sector. This integration delivers detailed and comprehensive data that is crucial for making informed decisions, fosters more efficient resource allocation, and pinpoints areas needing improvement. The study was a synthesis of empirical analysis of exiting literature whereas the current study used primary data that reflects the status of the County Governments.

Kariuki (2019) did an investigation on resource allocation in Laikipia County Government. The objective was to establish allocation of resources, understanding the challenges in revenue allocation while determining measures which can be implemented by the County. The study used primary data and established that resource

allocation is guided by the policy guidelines and that project feasibility study improves decision making and enhances project performance. To improve resource allocation in the County Government, the study established a need for risk assessment, public participation, adequate monitoring, and effectiveness in communication. However, their study focused on identifying challenges in resource allocation in Laikipia County Government and did not explore how resource allocation affects performance in County Governments across the Counties. This gap was addressed in the current study.

Luvisi and Ondiek (2021) conducted a comparative analysis of resource allocation and absorption rates in County Governments, focusing on the Western Region as a case study which included Busia, Bungoma, Vihiga and Kakamega Counties. The study targeted finance and economy planning executive committee members and chief officers. Panel data from 2015-2019 was analyzed for inferential statistics. Results did not prove that resource allocation and absorption rate in Western Kenya's County Governments are correlated. It was concluded that absorption rate does not necessarily imply performance. Muthomi (2021) established a contradictory finding of a positive correlation between economic growth, annual budget and absorption rate and revenue performance. The study by Luvisi and Ondieki (2021) was focused on Western Kenya Counties making it difficult to replicate the finding in Counties in other regions in Kenya.

2.3.3 Audit Reforms and Performance of County Governments

Audit reforms refer to the transformation in provision of checks and balances provided by the institutions charged with the responsibility of overseeing the operations of County Government. These institutions include the County assemblies, Senate and independent units within County Government charged with the responsibility of providing oversight. Audit reforms are intended at promoting accountability in the use of public resources (Aikins, Mensah & Kumi-Kyereme, 2022).

Jarah, Jarrah, Al-Zaqeba and Al-Jarrah (2022) investigated the effectiveness of internal audit practices in mitigating the adverse effects of creative accounting on the reliability of financial statements was evaluated within the context of Jordanian Islamic banks. The research aimed to assess how internal auditing can reduce the negative impact of manipulative accounting practices and enhance the dependability of financial reporting in these institutions. Auditor independence, objectivity, professional care, and

neutrality were the criteria used to evaluate internal audits. The results showed a strong favorable association between the performance of Jordan's Islamic banks and internal audit procedures. It was also found that the internal audit's key responsibilities include verification and fraud investigations, as well as assessing internal controls. The independence of the internal audit function is ensured only when there is an audit committee at board level. The study noted that a reduction in creative accounting does not necessarily indicate improved organizational performance, suggesting that further research is needed to evaluate the impact of internal audit on overall performance. The study was confined to banking institutions, the current study sought to examine the effect of audit reforms in County Government set up in Kenya.

Additionally, Friyani, Haryadi, Afrizal and Arum (2022) investigated the impact of internal audit performance, audit committee effectiveness, and managerial religiosity on the adoption of sound corporate governance practices and their impact on fraud within Indonesian State-owned enterprises. The research encompassed all 89 State-owned enterprises collected first-hand data using questionnaires distributed to key respondents, including the internal audit head, finance manager, corporate secretary, and audit committee chairperson. The findings demonstrated that the effectiveness of audit committees and internal audit activities significantly affects the implementation of sound corporate governance, while managerial religiosity has no discernible impact on corporate governance practices. Furthermore, the study revealed that neither internal audit performance nor managerial religiosity influences fraud occurrence. However, the study focused on corporate governance implications in State-owned enterprises in Indonesia leaving a gap on the effect of audits on performance government institutions especially in developing countries in which the current study sought to address.

Ibrahim (2022) carried out research which sought to evaluate the impact of the Nigerian public financial management reforms on performance. The research concentrated on various reforms, including cash management, budget management, human resource and payroll management, financial reporting, and the modernization of internal audits using secondary data, covering a comprehensive 16-year period from 2007 to 2022. The study targeted the 26 Federal Government Ministries in Nigeria, employing a judgmental sampling technique to select 13 ministries based on data availability and accessibility over the specified period. Findings indicated that these reforms significantly enhance

the performance of government entities. However, challenges such as infrequent reassessment of cash management policies resulting in leaks and inefficiencies, delayed adoption of real-time, and limitations in the functional independence and digital tools of internal audit were identified. Ibrahim's study relied on secondary data spanning for a 16-year period, in as much as this is beneficial for understanding long-term effects of reforms. A gap exists on the short-term effect of reforms on performance. The current study sought to examine the shorter-term impact of audit reforms in Counties, especially considering Kenya's recent push for audit reforms.

In a separate study, Zaidan and Neamah (2022) researched on the influence of the internal audit function's quality on enhancing operative efficiency in listed Iraqi banking sector companies. The study revealed a unidirectional correlation between the professionalism and qualifications of members of internal audit department, as well as their training and adherence to auditing standards courses, and the improvement in operational efficiency. The investigation was performed in a foreign jurisdiction and as such it anticipated to be governed by different regulations, and it was focused on internal audit quality and operational efficiency. Operational efficiency may not necessarily imply or be related to operational performance as an entity may be operationally efficient without desirable operational performance. Zaidan and Neamah's study focused on the banking sector in Iraq, whereas the current study was carried out in County Governments in Kenya. The two sectors are fundamentally different in terms of regulatory environments, objectives, operations, and governance structures. For instance, while banks may prioritize financial performance, County Governments have broader social, economic, and governance responsibilities. The current study therefore sought to fill this gap.

Tetteh (2022) conducted a study to explore internal audit role in risk management within specific public institutions in Ghana. The study investigated risk management practices and related challenges in public health institutions. Interviews and questionnaires from management and administration staff of the selected institutions were applied to gather primary data. The findings of the research showed various practices for managing risks put in place apply traditional approaches focusing on operational and financial risks. Results revealed that internal auditing helps to provide independent assurance, mitigate, and avoid financial loss. Further, among the

challenges faced in managing risk is the low level of audit recommendations implementation, support from management and resource constraint. This was in quest of establishing the correlation amongst the internal audit and risk management leaving a gap on how internal audit influences performance in which the current study seeks to fill.

A study was conducted by Momanyi, Nyaberi and Mugo (2022) on how audit department influences the efficiency of internal auditing in the Kenyan Counties of Nyandarua and Kericho. Based on the audit committee's size, impartiality, knowledge of finance, and backing from management, they evaluated it. All audit personnel, revenue officers, and accountants participated in this descriptive study. The study findings showed a linear and noteworthy relationship between the variables under investigation. The study focuses on two specific Counties, Nyandarua and Kericho, which may have unique characteristics and challenges compared to other Counties in Kenya. While the findings may be relevant to those Counties, they may not be generalized to all Counties, especially those with different governance structures, budgets, or political dynamics. This current study sampled Counties across the country making use of the existing Regional Economic Blocs.

2.3.4 Public Participation Reforms and Performance of County Governments

Public participation is defined as any process that actively involves the public in decision-making processes and may be used interchangeably with citizen involvement (Nabulime, 2021). Studies have been conducted on public participation. For instance, in India, Menon and Hartz- Karp (2019) discovered a mixture of leaders who are willing to steer proper management can successfully bring the public to participate in decision-making. Menon, Hartz-Karp and Marinova (2021) found out that strengthened citizen capacities are an important move toward empowering citizens to contribute to decision making. The study observed that citizens are involved in decisions where they are aware of opportunities to change their status. Therefore, dialoguing with various participants is important to report favorable results. Above all, civil society is a key enabler in boosting the public participation process and stimulates state accountability. This research was performed in developed economies in which public participation may be more mature than the case in Kenya. This research hoped to satisfy this rift by conducting research in a developing economy.

Research was performed by Nabulime (2021) to explore the correlation between communal mobilization of resource and rural development a case study of Kalungu district in Uganda. It applied a combination of qualitative as well as quantitative data. Results uncovered that project failure or success is contingent on the level of community involvement. The focus was on the rural areas of Uganda and that purposive sampling was used leaving a methodology gap. In a similar study to Nabulime's study though conducted in Kenya by Muraguri, Njiri, Ndegwa, Otieno, Awuor and Agwayo (2022) advocates for government authorities to adopt open and inclusive public participation processes. These processes allow the people to provide views during the formulation of government policies. Such inclusive practices are essential for enhancing fiscal transparency, accountability, and achieving better fiscal outcomes. The current study was focused on both rural and urban Counties and probability sampling was adopted.

Ndiao (2024) investigated how Kenyan County Governments' equitable resource distribution was affected by public engagement techniques. The study stressed how important it is to manage citizen forums, ensure representativeness, prepare participants, and conduct extensive deliberations to ensure equitable funding distribution for road, health, and agriculture initiatives. Furthermore, it was discovered that the relationship between citizen forums and equitable resource allocation was highly influenced by the County budget approval procedure. The study focused on the impact of public participation on equitable resource distribution, specifically for roads, health, and agriculture initiatives. However, equitable resource distribution is just one dimension of County performance. Public participation can affect a wide range of performance indicators, including service delivery, governance, transparency, and citizen satisfaction. The current study sought to examine the effect of public participation reforms of performance of County Governments.

Njiiri (2024) examined the impact of different leadership styles, which included transformational, transactional, laissez-faire, and servant leadership, on the effectiveness of public participation in County governance in Kenya. It also explored the moderating role of resource allocation in this relationship. Using a descriptive survey design, the study sampled 400 respondents across Kenyan Counties. Data was collected through questionnaires, and reliability and validity were tested using

Cronbach's alpha. The study found that transformational, transactional, and servant leadership styles had a positive and significant impact on public participation, while laissez-faire leadership had a negative effect. When combined, servant leadership had the strongest positive influence, followed by transformational and transactional leadership. Laissez-faire became statistically insignificant when all leadership styles were considered together. Additionally, resource allocation was found to positively moderate the relationship between leadership styles and public participation effectiveness.

The study focuses on the relationship between leadership styles and the effectiveness of public participation, but it does not directly address how these leadership styles affect broader County performance metrics. Public participation is a key part of governance. The current study sought to examine the effect of public participation reforms on County performance. Kongere (2022) conducted a study on public participation in the county budget process in Kisumu County, Kenya. The study targeted a population of 147,895 residents from five wards and county staff, with a sample size of 396 respondents derived using the Yamane formula. A descriptive survey design, combining both quantitative and qualitative methods, was adopted. Data was collected via structured questionnaires, observation checklists, and key informant interviews. The study findings showed that only 30.8% of the public had knowledge of budget participation policies and just 28.3% took part in the budgeting process indicating low levels of effective participation despite existing legal structures. The sample proportion was 0.27%, which was limited given the large population, affecting generalizability. This presents a methodological gap, while the sample followed a statistical formula, its size in relation to the target population may not provide fully representative insights. The current study, in response, used a larger representative sample determined through appropriate statistical formulas and collected data using structured questionnaires only, to enhance validity and inference-making.

Grillos (2022) conducted a study on public participation through deliberation and its effect on collective decision-making in Nairobi, Kenya. The study targeted 570 adult participants drawn from low-income neighborhoods and employed a randomized experimental design. Participants were assigned to one of three decision-making processes: external imposition, non-deliberative voting, and deliberative consensus.

The study employed laboratory-style behavioral tasks and group discussions to evaluate decision quality, preference change, and perception of fairness. Findings indicated that deliberative participation significantly improved decision outcomes and participants' agreement with collective choices. However, the study was confined to a controlled experimental setting and used simulated decision tasks rather than real-life policy issues. This presents a contextual gap to be filled. The current study focused on actual public participation in county-level budget and planning processes, using structured questionnaires administered to a statistically determined representative sample drawn from county residents.

Nyagah and Njoka (2022) assessed public participation by focusing on three key factors: the public's ability to engage, communication and access to information, and the level of public involvement in financial management by County Governments. Grounded in Agency Theory, Democratic Theory, Stewardship Theory, and Stakeholder Theory, the study targeted County officials, chiefs, assistant chiefs, and village elders. The findings indicated a moderate impact of citizen involvement on financial management in the public sector. Additionally, it was observed that County Governments employed both print and social media to promote public participation in forums. The study focused primarily on financial management, examining the public's involvement in budgeting, expenditure oversight, and resource allocation. However, public participation encompasses a broader range of governance processes, including policy formulation, monitoring of government projects, and overall decision-making. The current study explored how public participation affects other aspects of County governance, beyond just financial management.

Kumagai, Bandyopadhyay and Grandvoinet (2019), discovered that incorporating citizen engagement into public financial management enhances outcomes and accountability. However, their research was confined to a single County, which may limit the applicability of their results to other regions. In contrast, the current research sought to assess similar research problem across multiple County Governments in Kenya, selecting one County from each Regional Economic Bloc to offer a more comprehensive and representative analysis.

2.3.5 Legal Framework, PFM Reforms and Performance of County Governments

Legal frameworks encompass laws and policies across various levels of governance that interact and operate in conjunction with each other, forming a comprehensive structure within which both citizen and government actions are conducted. Tobi and Oikhala (2021) assessed the correlation that exists between reforms in the local authority and grassroots development. The theory of localism anchored the study in explaining the incapacitation of the local government. It was established that besides the poor implementation of various recommendations made by different committees, inadequacy of funding, resistance by the government and inconsistency in constitutional provisions have weakened the effectiveness of local governments in the discharge of their responsibilities of ensuring development being agents of the central government.

Vianney, Iravo and Namusonge (2020) established through research performed in Rwandan public sector that the association between board composition and ethical practices was positively and significantly moderated by legislative frameworks though they had no significant impact on local advocacy practices. In a comparable study, Karama (2020) established that the relationship between decentralized service delivery and strategic planning was positively and considerably regulated by legislative frameworks. The link between decentralized service delivery and stakeholder participation was not, however, mitigated by the legal structure. The current study investigated the moderating effect of legal frameworks. Oduol (2023) investigated the relationship between governance frameworks and revenue enhancement in devolved units, focusing on institutional capacity, regulatory framework, policy implementation, and human capacity. Using a correlational research design, the study sampled 5 out of Kenya's 47 Counties, with a total sample size of 439. Through the analysis, it was proved to be a strong unidirectional association between regulatory framework and the improvement of County revenue.

In a related study, Mutangili, Awuor and Cheluget (2020) identified that the regulatory framework moderates the connection between supply chain performance and foreign procurement methods. This indicates that the success of procurement strategies is considerably affected by the prevailing regulatory environment. Conversely, Muithya, Muathe and Kinyua (2021) examined the ways in which the regulatory environment

modifies the association between the performance of Kenyan microfinance institutions and their strategic innovation orientation. Their study evaluated performance employing financial as well as non-financial measures and looked at both prudential and non-prudential government policies. This indicates that the effect of strategic invention on the performance outcomes of these institutions is significantly influenced by the prevailing regulatory conditions. Similarly, Muazu, Tasmin and Javaid (2021) analyzed the impact of operational excellence, firm characteristics, and the regulatory framework within the oil sector. Their study found that both firm characteristics and the regulatory framework positively affected operational efficiency.

Likewise, Karama (2022) aimed to investigate how the legal framework influences the relationships among strategic planning, stakeholder engagement, and devolved service delivery. The study employed a positivist approach and an explanatory research design, gathering data from 384 employees across eight Counties in Kenya through questionnaires. The analysis revealed that the legal framework positively and significantly moderates the connection between strategic planning and devolved service delivery. However, it was found that the legal framework does not moderate the relationship between stakeholder engagement and devolved service delivery. The study focused on the moderating role of legal framework on the relationship between strategic planning and stakeholders' engagement and service delivery of devolved unity. The current study was focused on the moderating role of legal framework on public finance management reforms which included resource mobilization, resource allocation, audit and public participation reforms on performance of County Governments in Kenya.

2.4 Conceptual Framework

According to Blumberg, Cooper and Schindler (2008), it is a diagrammatic illustration of variables that makes it easy for readers to quickly grasp how the study variables relate to one another. The study's independent variable is public finance management reforms. It measured using resource mobilization reforms, resource allocation reforms, audit reforms and public participation reforms. This dependent variable was measured by operating surplus/deficit, budget absorption, compliance to expenditure limits and pending bills.

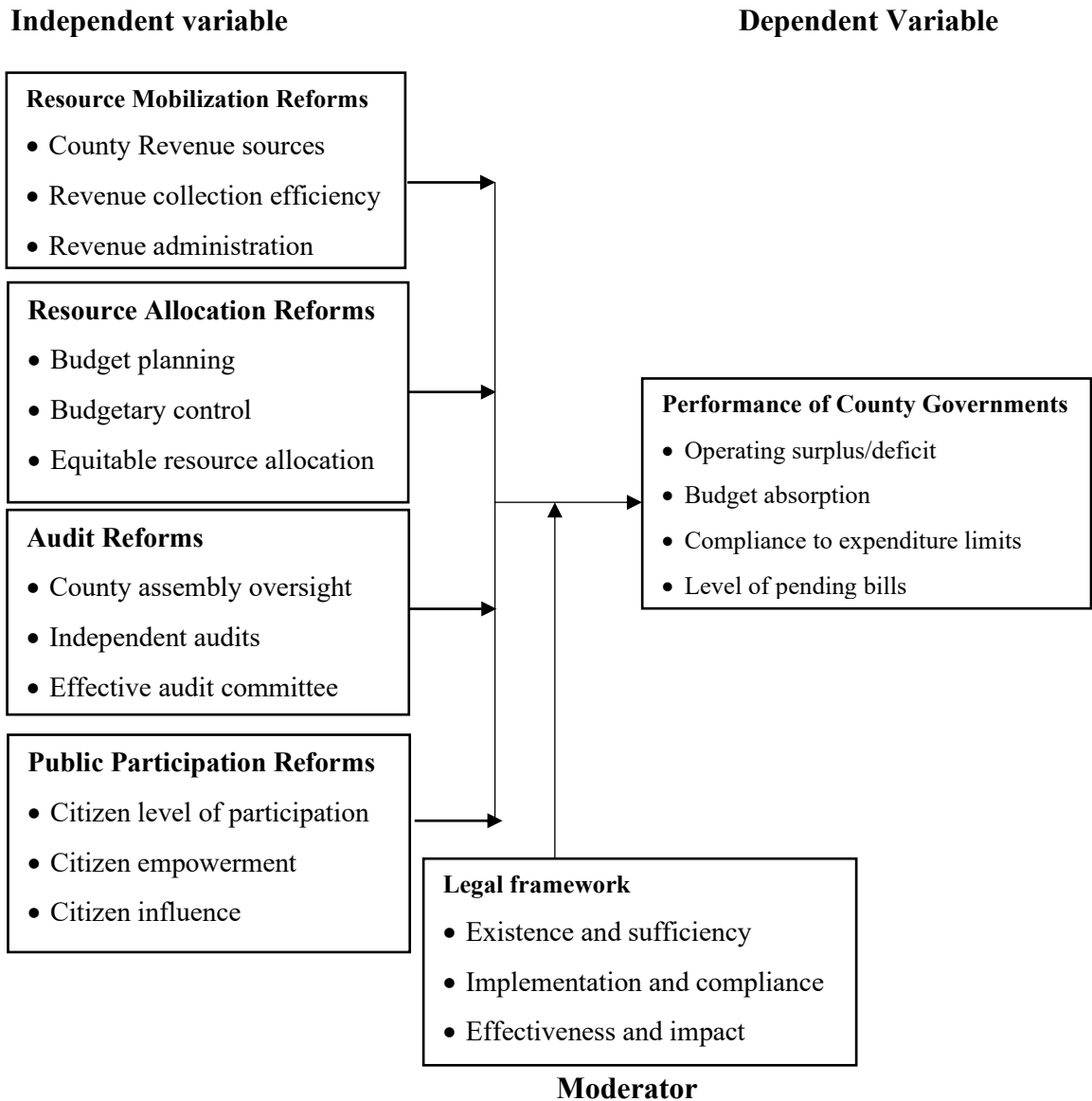


Figure 2.1: Conceptual Framework
Source; Author (2025)

The conceptual framework for this study is anchored on the premise that public finance management reforms have a significant influence on the performance of County Governments in Kenya. These reforms aim to enhance fiscal discipline, promote transparency, strengthen accountability mechanisms, and improve governance at the county level. The independent variable, public finance management reforms, is analyzed through four main dimensions: resource mobilization reforms, resource allocation reforms, audit reforms, and public participation reforms. Each of these aspects is expected to contribute to more efficient and effective management of public resources. However, the relationship between PFM reforms and county government

performance is not always linear or automatic. It is often influenced by contextual conditions particularly the legal framework within which counties operate.

This study therefore introduces the legal framework as a moderating variable, conceptualized in terms of its existence, implementation, compliance, and overall effectiveness. The framework suggests that even well-crafted PFM reforms may yield limited results if not reinforced by strong legal structures. Hence, the model proposes a dynamic relationship in which the legal framework either enhances or weakens the impact of reforms on performance.

Resource mobilization reforms are assessed through the diversity of revenue sources available to counties, the efficiency of revenue collection, and the strength of revenue administration systems. These reforms are intended to boost counties' ability to raise their own revenues, thereby reducing dependence on national transfers or borrowing. A stable and predictable revenue base enables counties to finance their operations and development programs more reliably. Effective collection systems and transparent administration reduce leakages, increase public trust, and support more accurate fiscal planning. As these systems improve, counties can address pending bills, build healthier operating balances, and implement projects more efficiently. Therefore, resource mobilization reforms are not only financial in nature but also contribute to institutional stability and enhanced fiscal autonomy.

Resource allocation reforms focus on how county resources are planned, controlled, and equitably distributed. They are assessed through budget planning, budgetary control mechanisms, and fairness in the allocation of funds across different sectors and regions. These reforms aim to ensure that financial resources are deployed in a manner aligned with county priorities and that all regions receive fair consideration in the distribution of development funding. Sound planning involves realistic budgeting informed by available revenues and development objectives, while effective budgetary controls help prevent overspending and enforce fiscal discipline. Equitable allocation promotes social inclusion, reduces regional disparities, and enhances citizen satisfaction with county services. Together, these reforms contribute to improved budget absorption, stronger compliance with expenditure ceilings, and better outcomes in public service delivery.

Audit reforms are geared toward improving transparency and accountability in the use of public funds. They are evaluated based on the role of County Assemblies in financial oversight, the robustness of internal and external audit functions, and the performance of audit committees. These mechanisms help detect and address irregularities in a timely manner, ensuring that funds are used for their intended purposes. County Assemblies enhance accountability by scrutinizing financial reports and budget performance. Internal audits support continuous monitoring, while external audits provide an independent assessment of county finances. Strong audit committees enforce corrective actions and reinforce institutional integrity. Collectively, audit reforms reduce opportunities for financial mismanagement and promote more credible financial reporting, thereby strengthening the link between planning, budgeting, and service delivery.

Public participation reforms measure how citizens engage and influence financial decision-making at the county level. They are examined through the level of citizen involvement in budget processes, the degree of public empowerment, and the responsiveness of county leadership to citizen input. These reforms are grounded in the belief that when the public is meaningfully involved in financial planning, it leads to more transparent and responsive governance. Participation fosters a sense of ownership and trust among citizens, reduces resistance to development initiatives, and enhances oversight by the community. Empowered citizens can propose priorities, question misuse of resources, and advocate for equitable services. This engagement ultimately contributes to more effective resource utilization, improved budget execution, and better overall county performance.

The performance of County Governments, as the dependent variable, is measured using indicators such as operating surplus or deficit, budget absorption index, compliance with statutory expenditure limits, and the level of pending bills. These indicators offer a comprehensive view of how well counties manage their resources. A surplus implies efficient planning and fiscal discipline, while a persistent deficit may signal structural weaknesses. High budget absorption reflects timely and efficient implementation of programs, while compliance with spending limits demonstrates adherence to financial regulations. Low levels of pending bills indicate financial prudence and reliability in

meeting obligations. As such, county performance is seen as the cumulative outcome of the effectiveness of various PFM reforms.

The legal framework moderates the influence of PFM reforms on county performance by either enabling or constraining reform implementation. It is conceptualized through its existence, sufficiency, level of enforcement, and overall impact. A strong legal framework provides the structural foundation for reforms to be institutionalized and enforced. It defines roles, mandates oversight institutions, and sets standards for transparency, accountability, and compliance. When legal frameworks are well-developed and respected, they reinforce discipline, reduce corruption, and ensure that reforms lead to tangible outcomes. Conversely, where laws are weak or poorly implemented, reforms often lack traction, and the intended benefits may not be realized. Thus, the legal framework plays a critical role in shaping the effectiveness of public finance reforms in improving county performance.

In conclusion, this conceptual framework illustrates the complex and interdependent relationships between public finance management reforms, legal frameworks, and the financial performance of County Governments. While reforms in revenue generation, allocation, oversight, and citizen participation are essential, their success heavily depends on the presence of a supportive and functional legal environment. The model therefore emphasizes that for counties to achieve meaningful and sustainable improvements in performance, reforms must be implemented within a robust legal context that ensures accountability, compliance, and effective governance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, the study population and sample, the data collection instrument, procedure for data analysis and presentation and lastly the ethical considerations in research.

3.2 Research Philosophy

Research philosophy refers to a system of beliefs and assumptions about the development of knowledge and guides the way in which researchers understand and investigate the nature of reality, how knowledge is acquired and the values influencing the research process, (Saunders, Lewis, Thornhill & Bristow, 2015). There are five main philosophies in research, as outlined by Saunders *et. al.*, (2015) which include critical realism, postmodernism, positivism, pragmatism and interpretivism. Alakwe (2017) defines positivism as the belief that only empirical knowledge acquired through observation is reliable. Interpretivism argues that humans can create meaning and are distinct from physical phenomena. Postmodernism challenges established modes of thinking, giving importance to marginalized perspectives, and emphasizing the role of language and power dynamics. Pragmatism contends that concepts are meaningful only in so far as they facilitate practical actions (Kelemen & Rumens, 2008).

According to Saunders *et. al.*, (2015), choosing the appropriate research philosophy enables researchers to design a coherent study where all research elements align harmoniously. This study adopted a positivist research philosophy. Positivism emphasizes objectivity, quantifiable observations, and statistical analysis to explain phenomena. It is grounded in the belief that reality is stable and can be observed and described from an objective viewpoint without interfering with the phenomena being studied. The choice of positivism aligns with the study's aim of examining the relationships between public finance management reforms, namely resource mobilization, resource allocation, audit reforms, and public participation and performance of county government. By employing empirical data and statistical tools the study seeks to test hypotheses, uncover relationships, and generate generalizable findings. Furthermore, the positivist supports the use of pre-determined indicators to

measure both the independent and dependent variables, ensuring replicability and reliability of results.

3.3 Research Design

Research design is the strategy and framework adopted in the quest of responding to a given research phenomenon or question (Creswell & Creswell, 2017). According to Creswell and Creswell (2017), research designs have been categorized into five distinct categories which include descriptive, correlational, experimental and explanatory and diagnostic research designs. A correlational research design was considered suitable for this study because it seeks to determine the relationship between two variables, indicating whether alterations in one variable leads to corresponding changes in the other variable (Kabir, 2016). It establishes the association between two variables without any manipulation of data or assumption. The result of correlational research design is positive correlation, negative correlation, or absence of correlation.

Research philosophy encompasses a researcher's thought system through which they seek to obtain new and dependable knowledge about the research subject, influencing their understanding of the research question (Zukauskas, Vveinhardt & Andriukaitiene, 2018). These assumptions include epistemological assumptions which refer to the assumption about knowledge, ontological assumptions which refer to the assumptions about realities a researcher encounters during research and axiological assumptions which are the ways and extent to which researchers' ethics and moral values affect the research process (Tamminen & Poucher, 2020).

3.4 Location of the Study

Through the 2010 constitution, Kenya was administratively divided into 47 counties, which are further organized into regional blocs based on geographical proximity, shared economic interests, and collaborative development goals. These blocs include the Coastal Regional Economic Bloc (6 counties), Southeastern Kenya Regional Economic Bloc (3 counties), Frontier Counties Development Council (6 Counties), Mt. Kenya and Aberdares Region (10 Counties), North Rift Economic Bloc (6 Counties), and Lake Region Economic Bloc (13 Counties). The remaining unclassified Counties: Nairobi, Kajiado, and Narok do not currently belong to any formal economic bloc.

The study was conducted in seven selected County Governments in Kenya, each drawn from one of the country's seven regional groupings: six formal Regional Economic Blocs and a group of three unclassified counties. The counties selected were Tana River (Coastal Economic Bloc), Machakos (Southeastern Economic Bloc), Garissa (Frontier Counties Economic Bloc), Kiambu (Mt. Kenya Economic Bloc), Turkana (North Rift Economic Bloc), Kisii (Lake Region Economic Bloc), and Nairobi (unclassified counties).

The justification for the choice of counties was based on the 2023 development budget absorption rate, as reported by the Office of the Controller of Budget. This indicator was selected because it provides a recent, objective, and policy-relevant measure of how efficiently counties utilize allocated development funds, a direct reflection of financial management performance. In each regional bloc, the County with the lowest development budget absorption rate was purposively selected for inclusion in the study. These Counties were deemed most suitable for evaluating the effectiveness of PFM reforms, as their performance challenges make them critical cases for understanding weaknesses in PFM systems and the potential for reform-driven improvement. By selecting counties from diverse geographical, socio-economic, and political contexts, the study ensured regional representation and variation in public finance practices, enabling more nuanced insights into the role of PFM reforms and the moderating effect of the legal framework across Kenya's devolved units.

3.5 Target Population

Asiamah, Mensah and Oteng (2017) argued that target population comprise elements and items that share universally observable features. This population is characterized by specific attributes that align with the research objectives and questions. It encompasses all potential subjects that meet the criteria set for the study, providing a comprehensive framework for collection as well as data analysis to ensure findings are relevant and generalizable to the broader context of the research. This study targeted the forty-seven Counties in Kenya. Out of the forty-seven Counties, forty-four Counties were integrated to form six (6) Regional Economic Blocs in the quest for economic growth through resource mobilization and policy harmonization whereas three Counties namely, Nairobi, Kajiado and Narok were not integrated into Regional Economic Bloc. This study selected one County with the lowest development budget absorption rate

from each of the six Regional Economic Blocs and one from three Counties not in Regional Economic Blocs, based on the 2023 report of the office of Controller of Budget. The use of the development budget absorption rate as a selection criterion was justified by being an objective indicator of county government performance, reflecting the efficiency of public finance management and the actual implementation of development priorities that directly affect community welfare, (Rahmawati, Ibrahim, Irma, Bunyamin & Dahlan, 2024).

The target population for the study therefore became seven Counties which comprised of Tana River from Coastal region economic bloc, Machakos County from Southeastern Regional Economic Bloc, Garissa from Frontier Counties Regional Economic Bloc, Kiambu County from Mt. Kenya Regional Economic Bloc, Turkana County from North Rift Regional Economic Bloc and Kisii County from Lake basin Regional Economic Bloc and Nairobi County from other unclassified Counties. The study focused on management staff in County Governments within the Finance and Economic Planning departments. These respondents were selected because of their perceived knowledge, experience, and technical proficiency relevant to the study's variables.

Among the top management personnel were the Chief Financial and Economic Planning Officer, a member of the County executive committee, and director of revenue and director of audit whereas the middle management employees included the deputy directors of finance, the finance managers, the principal accountants, the principal budget officers, and the principal internal auditors. According to the records of the office of County secretary for the various Counties, there is one employee in each of the positions of the County ministers of finance, chief officers in charge of finance, director of revenue and director of audit per County Governments and the target respondents became 229.

Table 3.1: Target Population

County	Top level employees	Middle level employees	Total
Taita Taveta	4	30	34
Machakos	4	29	33
Garissa	4	21	25
Kiambu	4	33	37
Turkana	4	23	27
Kisii	4	27	31
Nairobi	4	38	42
Total	28	201	229

Source: Office of the County Secretary and Head of Public Service Records (2024)

3.6 Sample and Sampling Procedure

According to Lakens (2022), sample size refers to a smaller portion of a population chosen due to considerations such as time for a study, cost, size and homogeneity of the population, allowing researchers to make inference of the population. Sampling, as defined by Etikan and Bala (2017), is the procedure adopted during selection of a smaller number of individuals from the larger populace to ensure this subset accurately represents the broader group from which is drawn. Sampling techniques, on the other hand, are the methods and procedures used to select a smaller unit from population, as outlined by Asiamah, Mensah and Oteng (2017). This study adopted cluster sampling techniques. According to Nguyen, Shih, Srivastava, Tirthapura and Xu (2021) cluster sampling divides the entire population into clusters which are smaller groups and then a random selection from the clusters is done as a sample. The authors further argued that cluster sampling is particularly useful for large, geographically dispersed populations, where pre-existing groups like schools or cities are used as clusters for sampling. This sampling technique was considered appropriate for this study in that the population is geographically widespread.

This study clustered the County Governments based on the existing Regional Economic Blocs. This study further employed a scientific technique to get a manageable sample size for the study. Krejcie and Morgan's (1970) sample size determination formula was used. This formula is widely recognized and commonly used in social sciences for calculating sample sizes when the population size is finite and known. The formula provides a statistically sound method for sample size determination based on a 95% confidence level and a 5% margin of error. Further, the formula ensures that the selected sample size is sufficiently large to yield reliable and generalizable results.

$$S = \frac{x^2 NP(1 - P)}{d^2(N - 1) + x^2 P(1 - P)}$$

Where:

P= Population Proportion (assumed to be 50%)

X= z-value (1.96 for 95% confidence level)

S= required sample size.

N= Population size

d= Degree of accuracy (5%) expressed as a proportion (0.05); it is the margin of error.

By applying the formula, the study sample size becomes 144.

$$S = \frac{1.96^2 * 229 * 0.5(1-0.5)}{0.05^2(229-1) + 1.96^2 * 0.5(1-0.5)} = 144$$

Table 3.2: Sample Size Distribution

County	Sample size per employee level of management		
	Top	Middle	Total
Taita Taveta	4	17	21
Machakos	4	17	21
Garissa	4	12	16
Kiambu	4	19	23
Turkana	4	13	17
Kisii	4	16	20
Nairobi	4	22	26
Total	28	116	144

Source: Field Survey (2025)

3.7 Data Collection Instrument Procedure

Canals (2017) provided a description of a research instrument and argued that they are tools used to measure the variables in research. It is any tool adopted during collection of data. The kind of data to be gathered influences the choice of research instrument (Taherdoost, 2016). As argued by Apanasevic (2018) primary data refers to first-hand information. Primary data was utilized because of its reliability, authenticity, up-to-date information, and availability of the respondents. Data was collected using questionnaires which were formulated thematically based on study objectives. Kumar (2018) argues that primary data can be collected using observation, conducting interviews, or administering questionnaires. The selection of a questionnaire as the instrument for data collection is informed by its ability to collect more information in a

short period compared to other data collection instruments and because respondents can be accessed and can comprehend the subject of the research.

Taherdoost (2016) noted two types of a questionnaires namely, open-ended questionnaires; in which the possible responses are not given; and closed-ended questionnaires; As explained by Zhou, Wang, Zhang and Guo (2017), this method involves presenting a set of predefined response options in the questionnaire, from which respondents select the category that most accurately reflects their answer. Closed-ended questions are preferred since they give quantifiable data hence making it easier for coding and statistically analyzing the data collected as recommended by Bailey, Hutter and Hennink (2020). The study utilized a 5-Point Likert scale and as argued by Nemoto and Beglar (2014), Likert scale ratings are optimal for measuring opinions because they can effectively gather data on psychological constructs, allowing for the assessment of sentiments and capturing the full spectrum of opinions, including extremes.

3.7.1 Validity of Research Instrument

It refers to the ability to assess what it is supposed to assess or the degree to which an instrument satisfies its meaning and function (Oluwatayo, 2012). As listed by Cohen, Manion and Morrison (2013) there are three kinds of validity that are important in social research which includes face validity, construct validity and content validity. Face validity is defined as the personal valuation of the researcher on the relevance and presentation of the research tool to determine whether articles are clear, relevant, unambiguous, legibility of printout, attractive and reasonable. The researcher ensured that the research instrument is face valid by having it confirmed by the supervisors and experts in the subject area. As argued by Oluwatayo (2012), validity is the capability of a research instrument to include all the facets of a given construct and adequately cover a particular subject under study. To achieve content validity, subject matter practitioners' opinions were sought to guide whether the questionnaire covers all the components of the variables.

Ahmad, Zulkurnain and Khairushalimi (2016) highlighted that construct validity includes two main aspects: convergent validity, which examines the degree to which various measures of the same constructs are related, and discriminant validity, which determines whether measures of different constructs are adequately distinct and not

excessively correlated. The discriminant validity is confirmed when the measurement model does not include redundant items.

3.7.1.1 Convergent Validity

The test of convergent validity assesses how closely the measurement indicators align with a specific variable, examining the extent to which they converge. Convergent validity was evaluated using the Average Variance Extracted (AVE), which calculates the proportion of variance in the observed variables that are captured by the latent construct, compared to the variance attributed to measurement error (Ahmad, *et. al.*, 2016). This metric assesses the extent to which the indicators accurately represent the intended construct. Cheung, Cooper-Thomas, Lau and Wang (2023) state that convergent validity is established in a measurement model when the AVE values exceed 0.5. In this study, the AVE values for all constructs in the model surpassed this threshold, thereby confirming convergent validity.

$$AVE = \frac{\sum(\text{Standardized Factor Loadings})^2}{\text{No. of indicators}}$$

Table 3.3: Convergent Validity

Component	Number of indicators	AVE
RMR - Resource Mobilization Reforms	23	0.793
RAR - Resource Allocation Reforms	21	0.863
AR - Audit Reforms	20	0.834
PPR - Public Participation Reforms	20	0.769
LF - Legal Framework	10	0.689
PER - Performance of County Governments	20	0.699

Source: Field Survey (2025)

3.7.1.2 Discriminant Validity

Discriminant or divergent validity assesses the extent to which measures of different constructs are distinct from one another and that they do not correlate too highly. It assesses the uniqueness of one component compared to the other in the model.

Table 3.4: Discriminant Validity

Construct	RMR	RAR	AR	PPR	LF	PER
RMR	0.890					
RAR	0.833	0.929				
AR	0.631	0.722	0.913			
PPR	0.745	0.822	0.019	0.877		
LF	-0.080	-0.077	-0.080	-0.081	0.830	
PER	0.658	0.706	0.586	0.639	-0.025	0.836

Source: Field Survey (2025)

Discriminant validity was assessed using the Fornell–Larcker criterion, which requires that the square root of the Average Variance Extracted (AVE) for each construct exceeds its correlations with any other construct (Fornell & Larcker, 1981) i.e. when the diagonal values (values bolded in Table 4.22) are greater than the corresponding values in their respective rows and columns. The results indicate that for all constructs, the square roots of the AVEs (represented by the diagonal values in the correlation matrix) were greater than the corresponding inter-construct correlations. This confirms that each construct is empirically distinct from the others, thereby satisfying the condition for discriminant validity.

The study further assessed discriminant validity was assessed by examining the correlations among the latent constructs. According to the rule of thumb, discriminant validity is established when the correlation between any pair of constructs is less than 0.85 (Kline, 2011). The results showed that all inter-construct correlations were below the 0.85 threshold, with the highest being 0.833. This indicates that each construct is sufficiently distinct from the others, thereby confirming discriminant validity.

3.7.2 Reliability of Research Instrument

Reliability pertains to how consistently an instrument delivers the same results when used repeatedly, according to Bolarinwa (2015). It pertains to the research instrument's capability to produce consistent outcomes across repeated trials, embodying its reproducibility, dependability, and overall consistency, it is therefore a measure of the stability of the research instrument (Bowling, 2014). For research to be reliable, similar results should be attained when a similar instrument is administered to a similar group

in a similar context. Lora, Lewis, Eskridge, Stanek and Ritter (2010) argued that the testing of research instrument reliability is done through pilot study.

Lora, *et. al.*, (2010) recommended the use of Cronbach’s alpha in measuring internal reliability. The authors argue that Cronbach’s alpha can easily be measured using statistical software hence increasing the level of accuracy. The study employed Cronbach’s alpha in assessing the instrument’s internal consistency. Before any actual data was collected, a pilot study was carried out to pre-test the instrument. Bomet County was selected for pilot study using a total of 21 staff in the targeted categories out of which 4 were in the top-level management and 17 in the middle level management in the County. Pallant (2011) posits that a sample size of at least ten percent of the study sample size is deemed sufficient for piloting. Bomet County Government was ranked by the controller of Budget as the second lowest in the region in terms of development budget absorption rate justifying why it was selected for pilot.

Bomet County and was not among the County Governments sampled for this study. Cronbach’s alpha coefficient was calculated for each of the five variables. As argued by Pallant (2011), Cronbach’s alpha value of 0.7 or higher is considered acceptable or favorable whereas value of less than 0.7 is poor and acceptable. The pilot study established Cronbach’s alpha greater than 0.7 for all study variables. This indicates that the research instrument had internal consistency.

Table 3.5: Research Instrument Reliability Results

Construct	Cronbach Alpha
Resource Mobilization Reforms	0.705
Resource Allocation Reforms	0.729
Audit Reforms	0.808
Public Participation Reforms	0.754
Legal Framework	0.714
Performance of County Governments	0.812

Source: Field Survey (2025)

3.8 Data Collection Procedure

Giusti, Capone and Perkins (2020) contend that data collection in research encompasses the process of gathering and measuring research data on predetermined variables within a study. This procedure allows researchers to address research questions and assess outcomes effectively. The procedure of gathering data began with obtaining an

introduction letter from Graduate School of Laikipia University. To become acquainted with the chosen Counties and schedule appointments for the intended data collection, the researcher makes a pre-visit and thereafter research instrument distributed via a drop-and-pick basis. According to Broussard-Allred and Ross-davis (2011), drop and pick basis is a useful technique for gathering data since it lowers the non-response rate and provides the respondent adequate time to respond.

3.9 Data Analysis and Presentation

Data analysis involves converting collected data into more insightful information that helps in understanding and interpreting a specific phenomenon, as explained by Ngulube (2015). The collected data underwent scrutiny to identify and correct errors and ensure clarity and analyzed using SPSS Analysis of Moments Structure (AMOS). This analysis involved descriptive analysis of responses, upon which mode, mean and standard deviation, were used to summarize and display the data, providing an overview of the dataset's central tendencies and measuring variations in responses. Further, factor analysis involving exploratory and confirmatory factor analysis were performed. As argued by Yang (2005), factor analysis streamlines complex data by condensing many variables into a few underlying factors. This technique uncovers hidden constructs and relationships, making it easier to interpret the data.

Prior to carrying out factor analysis, it was important to test the adequacy of samples to warrant performance of factor analysis. To test sampling adequacy, the study used KMO value in which interpretation according to Kaiser and Meyer-Olkin (2017) a value greater than 0.6 suggests that there exists adequacy of sample and hence ideal for performance of factor analysis. This study further used Bartlett's Test of Sphericity in which interpretation according to Shrestha (2021), results with p-value below 0.05 implies that there are correlations among the variables, making factor analysis appropriate. The study used structural equation modelling was employed to probe deeper into uncovering the hypothesized structural relationships and patterns between variables, allowing for the exploration of causal relationships and predictive modeling. Lastly, testing of research hypothesis was done.

3.9.1 Data Diagnostic Test

The primary method of data analysis, that is structural equation modelling, required testing whether the linear regression assumptions are fulfilled to ensure that valid

conclusions are drawn regarding a population based on a sample. Four main presumptions underline linear regression: heteroscedasticity, multicollinearity, normality and linearity.

3.9.1.1 Linearity test

The underlying assumption is the linear relationship between the study independent and dependent variables as argued by Tabachnick, Fidell and Ullman (2013). Linearity assessment was presented in a scatter plot where regression standardized residual and regression standardized predicted values were fitted after performing structural equation modeling. To satisfy the linearity assumption, the graph is expected to have a random distribution of residuals around the horizontal axis, with no visible patterns or curvilinear trends (Verran & Ferketich, 1987).

3.9.1.2 Normality test

The significance of normal distribution cannot be overstated as it serves as a fundamental assumption in regression analysis. In statistical analysis, a normality test is utilized to assess whether there exists a disparity between the anticipated and observed values, evaluating the goodness of fit and residuals within a linear regression model (Kothari & Garg, 2014). The assumption is that the variables under study exhibit a normal distribution. Non-normal distribution of data suggests potential issues variables, such as missing data or incorrect functional forms. Ensuring normal distribution of data enhances the accuracy of the regression equation.

In this study, the Kolmogorov-Smirnov (K-S) test with Lilliefors significance correction was employed to assess the normality of the data. According to Mishra, Pandey, Singh, Gupta, Sahu and Keshri (2019), where Kolmogorov-Smirnov test statistics are insignificant, it suggests normal distribution.

3.9.1.3 Multicollinearity Test

Multicollinearity analysis assesses the strength of linear relationships among variables. When correlations exist, it becomes challenging to ascertain the true relationship between predictors and the response variable. This challenge arises because correlated variables tend to increase the coefficients standard errors, resulting in complexities in determining the real effect of each individual variable on changes in the dependent variable (Armor, Cotla & Stratmann, 2017). A high correlation of variables results in

multi-collinearity (Schober, Boer & Schwarte, 2018). Multicollinearity can result in coefficient estimates that are not statistically significant, even while it may not always reduce a regression model's predictive power (Leeuwenberg, Smeden, Langendijk, Schaaf, Mauer, Moons, & Schuit, 2021).

Multi-collinearity of variables was determined by computing the Variable Inflation factor (VIF). Using the VIF, a test for multicollinearity among the independent variables was also carried out. The VIF assesses the degree of correlation between the variables and determines how it exists. It measures how much the variance of a particular variable is increased due to its relationship with other independent variables. VIFs start at 1 and are without maximum value. In interpreting VIF value, 1 designates the absence of correlation. While VIFs values between 1 and 5 represent a moderate correlation which may not call for corrective measures. On the other hand, VIFs values of higher than 5 suggest severe multicollinearity (Giacalone, Panarello & Mattera, 2018). By standardizing the variables and subtracting the mean from the values of a predictor variable to produce a converted predictor with a mean of zero, the multi-collinearity problem was resolved (Aiken, West & Reno, 1991). The linearly correlated independent variables were also removed or combined in the analysis.

3.9.1.4 Heteroscedacity Test

Heteroscedasticity occurs when there are extreme or biased coefficients in regression analysis, with the assumption that the error term maintains homoscedasticity, or a constant variance (Armor, *et. al.*, 2017). Frost (2019) argues that heteroscedasticity is more common in datasets with a wide range between the highest and lowest observed values. If heteroscedasticity is not considered when running a regression model, it can lead to biases in estimation parameters and affect the coefficient of determination (Wylomanska, Iskander & Burnecki, 2020). To assess heteroscedasticity, both a scatter plot graph and Levene's test was utilized. The scatter plot graph is preferred due to its capability to visually represent the variability in the data. In the scatter plot, data points are plotted on a graph, and if they form a cone or fan shape rather than a uniform pattern, it indicates heteroscedasticity, which can adversely affect regression outcomes. Levene's test statistics were employed to determine the presence of heteroscedasticity. As argued by Berenguer-Rico and Wilms (2021), if the Levene's test statistic value exceeds 5 percent ($p > 0.05$), the data is considered homoscedastic.

Frost (2019) suggests several methods to address heteroscedasticity in research, including redefining variables, weighted regression, and transforming the dependent variable. The redefinition of variables method is applicable when there is a wide range between observations; the researcher utilizes ratio measures instead of raw measures for variables. This approach is favored because it adjusts specific variables without manipulating the data extensively, ensuring that the data remains meaningful. Redefining variables is suitable if heteroscedasticity is identified. Weighted regression involves assigning weights to each data point based on its variance, aiming to reduce the impact of high observations by giving them smaller weights, thereby minimizing squared residuals. However, transformation of data involves changing data values to improve the appearance of residuals. This method is less preferred due to the extensive data manipulation involved, which can complicate interpretation. It is typically considered as a last resort (Frost, 2019).

3.9.2 Structural Equation Modelling

The structural equation modeling was performed to assess the hypothesized relationships using SPSS_AMOS. According to Kyriazos (2018) SEM is more effective when a researcher wants to test hypotheses concerning relations between observed variables and latent variables. For evaluating measurement and structural features of hypothetical models, SEM combines features of factor analysis, regression analysis, and path diagrams. Mueller and Hancock (2018) assert that SEM allows the analysis of numerous structural relationships concurrently while ensuring statistical efficiency. Furthermore, SEM presupposes that indicators and latent variables have unidirectional or linear relationships. Path diagrams were adopted to specify the patterns of directional relationships among the observed variables. Additionally, since all variables were assessed on the same scales, regression weights and path coefficients were utilized. The model fit was assessed using Chi-square test (χ^2). According to Yuan and Chan, (2016) Chi-square test is used to evaluate whether there is an adequate fit to the data, and it measures the observed and the expected covariance. At 5 percent significance level, a non-significant χ^2 implied model good fit.

Sarstedt, Ringle, Cheah, Ting, Moisescu and Radomir (2020) underscored the necessity of testing the robustness of SEM to ensure the reliability and validity of the results. In this study, robustness of the model was evaluated through three key methodologies:

sensitivity analysis, cross-validation and model comparison. Firstly, sensitivity analysis was conducted to gauge how sensitive the model's parameter estimates are to variations in the data. This involves systematically altering the data to observe changes in the estimates. Secondly, model comparison was employed to evaluate multiple models. This involves comparing different models to determine which offers the best fit. The aim is to select the most appropriate model that accurately represents the underlying structure of the data. Lastly, cross-validation was performed. This technique involves dividing the data into multiple subsets, fitting the model on some subsets and validating it on the remaining subsets. This helps in evaluating how well the model generalizes new, unseen data, ensuring that the model's performance is not limited to a specific data set.

3.9.2.1 Resource Mobilization Reforms

Resource mobilization reforms variable is measured using County revenue sources, revenue collection and revenue administration. The first partial structural equation therefore becomes.

$$Y_i = \alpha_0 + \beta RS + \varepsilon \dots\dots\dots (i)$$

$$Y_i = \alpha_0 + \beta RC + \varepsilon \dots\dots\dots (ii)$$

$$Y_i = \alpha_0 + \beta RA + \varepsilon \dots\dots\dots (iii)$$

Where.

Y_i = Performance of County Government

α_0 = Constant

β = Path coefficient

RS = County Revenue Sources

RC = Revenue Collection

RA = Revenue Administration

ε = Error term

3.9.3.2 Resource Allocation Reforms

A variable of resource allocation reforms was measured using budget planning, budget control and equitable resource allocation. The second partial structural equation therefore becomes.

$$Y_i = \alpha_0 + \beta BP + \varepsilon \dots\dots\dots (i)$$

$$Y_i = \alpha_0 + \beta BC + \varepsilon \dots\dots\dots (ii)$$

$$Y_i = \alpha_0 + \beta ERA + \varepsilon \dots\dots\dots (iii)$$

Where.

Y_i = Performance of County Government

α_0 = Constant

β , = Path coefficient

BP = Budget Planning

BC = Budget Control

ERA = Equitable Resource Allocation

ε = Error term

3.9.2.3 Audit Reforms

Audit reforms variable was measured using County assembly oversight, independent audit and audit committee effectiveness. The third partial structural equation therefore becomes.

$$Y_i = \alpha_0 + \beta CAO + \varepsilon \dots\dots\dots (i)$$

$$Y_i = \alpha_0 + \beta IA + \varepsilon \dots\dots\dots (ii)$$

$$Y_i = \alpha_0 + \beta AC + \varepsilon \dots\dots\dots (iii)$$

Where.

Y_i = Performance of County Government

α_0 = Constant

β = Path coefficient

CAO = County Assembly Oversight

IA = Independent Audits

AC = Audit Committee Effectiveness

ε = Error term

3.9.2.4 Public Participation Reforms

Public participation reforms variable was measured using citizen level of participation, public empowerment, and County consideration of citizen opinion. The fourth partial structural equation therefore becomes.

$$Y_i = \alpha_0 + \beta CLP + \varepsilon \dots\dots\dots (i)$$

$$Y_i = \alpha_0 + \beta PE + \varepsilon \dots\dots\dots (ii)$$

$$Y_i = \alpha_0 + \beta CI + \varepsilon \dots\dots\dots (iii)$$

Where.

Y_i = Observed variables of Performance of County Government

α_0 = Constant

β , = Path coefficient

CLP = Citizen Level of participation.

PE = Public Empowerment

CI = Citizen influence

ϵ = Error term

3.9.2.5 Composite Structural Equation Modelling

Without a moderator, a composite SEM was conducted, combining all the independent variables against the dependent variable as shown in Figure 3.1.

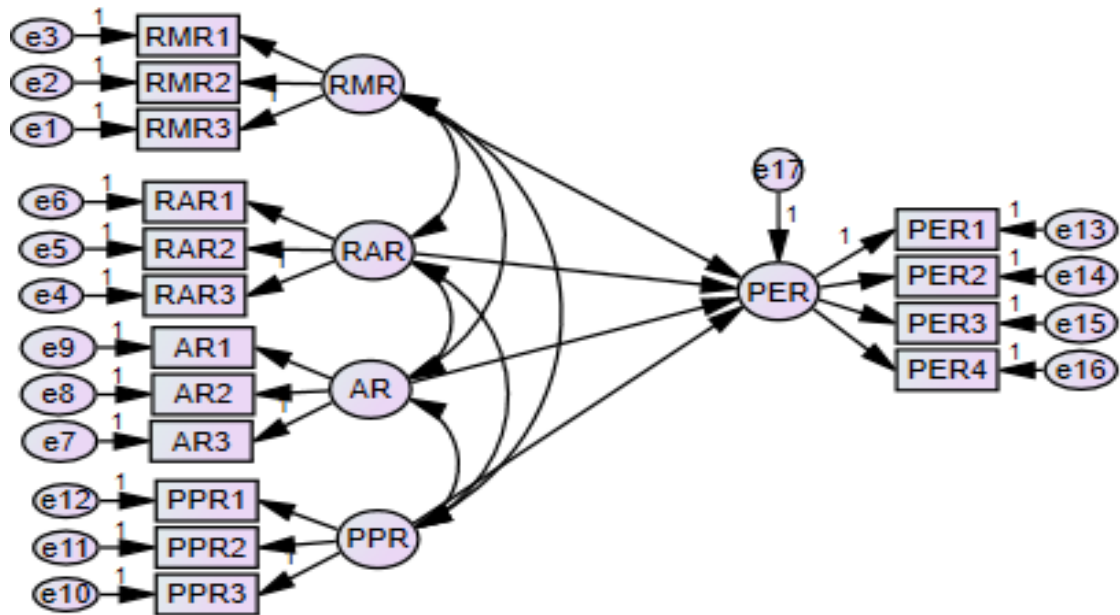


Figure 3.1: Composite Structural Equation Modelling
Source: Field Survey (2025)

3.9.2.6 Moderated Structural Equation Modelling

To attain this objective, a moderated Structural Equation Modelling was done as shown in Figure 3.2.

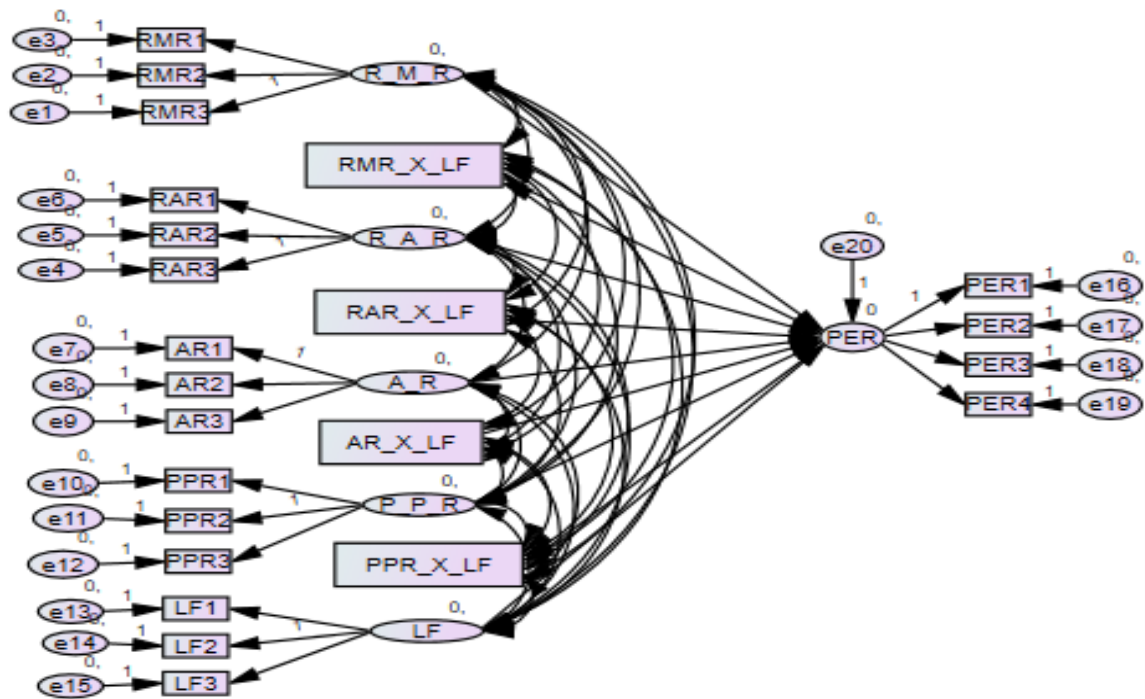


Figure 3.2: Moderated Structural Equation Modelling
 Source: Field Survey (2025)

3.10 Ethical Considerations

According to Waweru, Onyuma and Murumba (2021) ethics are norms, moral principles and beliefs concerned with what is good or bad, wrong or right. Ethical consideration in research ensures that no one is harmed during the research (Lacobucci & Churchill, 2015). This study adhered to high ethical standards throughout the research process to ensure the protection of participants' rights and the integrity of the findings. Prior to data collection, the researcher obtained approval from the Graduate School of Laikipia University and ethical clearance from the relevant university ethics review committee and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). These approvals assured participants that the study would be conducted with integrity and in line with ethical norms.

Informed consent was sought from all participants after the researcher clearly introduced themselves and the purpose of the study. Participation was entirely voluntary, and respondents were informed of their right to withdraw at any point without penalty. Participants were also assured of confidentiality and anonymity, with no personally identifiable information collected. Data was stored securely in password-protected digital files and restricted to the researcher for academic use only. Lastly, the study ensured that no harm whether physical, psychological, or reputational befell any

respondent. The researcher ensured objectivity and avoided any conflict of interest during data collection, analysis, and reporting. All literary work considered useful in the research was unambiguously cited and referenced. Artificial intelligence tools were used solely to enhance language clarity, check grammar, and assist in organizing ideas. All information obtained through artificial intelligence tools was cross verified with credible academic sources to ensure accuracy and validity. At no point were artificial intelligence tools used to generate original research content, fabricate data, or substitute the researcher's analytical judgment.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents findings and discussions. The chapter is organized into demographic results encompassing respondents' level of education and the level of experience. Descriptive statistics and structural equation modelling and hypotheses testing.

4.2 Rate of Response

All the one-hundred and forty-four sample respondents received questionnaires; out of these, one-hundred and twenty-two were duly filled and returned, representing a response rate of approximately eighty-four percent hence desirable for data analysis and informed conclusions. As posit by Zikmund, Babin, Carr and Griffin (2010), a rate of response that surpasses 70 percent is deemed desirable for analysis by views a rate of more than 80 percent as excellent.

4.3 Demographic Results

Given the nature of this research, determining demographic features such as respondents' educational background and level of experience was imperative.

4.3.1 Analysis of Respondents by Level of Education

Considering the nature of this study, it was essential to assess the respondents' educational backgrounds.

Table 4.1: Analysis of Respondents by Level of Education

Level of Education	Frequency	Percentage
KCSE Certificate	6	4.92
Certificate and Diploma	11	9.02
Degree	68	55.74
Masters	28	22.95
PhD	9	7.38
Total	122	100

Source: Field Survey (2025)

Among the 122 respondents, 4.92 percent completed their Kenya Certificate of Secondary Education, while 9.02 percent held Diploma or certificate qualifications. A substantial portion of the respondents, accounting for 55.74 percent, held Bachelor's

degrees, indicating that this was the most common educational level among the sample. Furthermore, 22.95 percent of the respondents had pursued Master's degrees. A smaller yet notable group, constituting 7.38 percent of the sample, held PhDs. This distribution suggests a balanced representation of educational backgrounds within the sample. This diversity ensures that the study captures perspectives from individuals with varied levels of educational attainment, thereby enriching the comprehensiveness and application of the research findings.

4.3.2 Analysis of Respondents by Level of Experience

Considering the focus of the study, assessing the respondents' working experience was essential.

Table 4.2: Level of Experience of Respondents

Level of experience (Year)	Frequency	Percent
Below 1 year	6	4.90
Between 2 and 4 years	44	36.1
Between 5 and 7 years	26	21.3
Above 7 years	46	37.7
Total	122	100

Source: Field Survey (2025)

A notable percentage of respondents comprising 37.7 percent had over 7 years of experience, indicating a significant presence of experienced professionals in the field. Conversely, 4.9 percent of respondents had experience less than one year. Overall, this diversity in experience levels provides a comprehensive perspective on the subject matter under investigation, reflecting insights from both seasoned professionals and those newer to the field.

4.4 Descriptive Statistical Results

This section contains the descriptive results. Percentage distribution, mean and standard deviation values were used to analyze the questionnaire statements. The opinions of respondents on the statements were measured using an ordinal scale of 5-point Likert scale.

4.4.1 Descriptive Results for Resource Mobilization Reforms

The study required opinion from the respondents regarding the extent of agreement with the measurement items related to resource mobilization reforms. The results were analyzed for mode, mean and measured variation in response using standard deviation.

Table 4.3 provides descriptive results for the first independent variable, resource mobilization reforms.

Table 4.3: Descriptive Results for Resource Mobilization Reforms

County Revenue Sources	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	SD
CRS1-County Government largely depends on locally collected revenue from the identified revenue sources.	17.2	32.8	12.3	34.4	3.3	3.26	1.21
CRS2-The County own-source revenue streams have been identified and operationalized.	12.0	65.6	13.1	4.1	4.9	3.76	0.87
CRS3-The County Government continuously reviews its revenue sources to identify new and emerging revenue sources.	28.7	53.3	4.9	10.7	2.5	3.95	0.90
CRS4-The County Government conducts cost-benefit analysis on potential revenue sources before adoption to ensure that the cost of collection does not surpass the revenue generated.	15.6	45.1	19.7	18.9	0.8	3.56	0.95
CRS5-The County Government has been successful in mobilizing resources from external sources such grants, loans, partnerships	12.3	58.2	9.0	18.0	2.5	3.60	1.05
CRS6-County Government has plans for improving resource mobilization and revenue generation in the future	20.5	47.5	13.9	15.6	2.5	3.68	0.93
Average Mean Score	17.7	50.4	12.2	17.0	2.8	3.6	0.99
Revenue Collection							
RC1-The County Government has a function established to enhance and enforce revenue collection.	22.1	54.1	13.1	8.2	2.5	3.85	0.69
RC2-There are targets set for local revenue collection established by the County Government.	34.4	58.2	2.5	4.9	0	4.22	0.60
RC3-The revenue collection targets are always being attained.	41.8	54.9	2.5	0.8	0	4.38	1.12
RC4-The County has outsourced revenue collection to ensure optimization of revenue collections.	5.7	14.8	9.8	51.6	18.0	2.39	1.25
RC5-Outsourced revenue collection ensures an increased level of revenue collection.	6.6	31.1	8.2	39.3	14.8	2.75	1.20

RC6-There are efforts to close budgetary deficits by the County Government by enhanced revenue collection.	13.9	41.8	17.2	17.2	9.8	3.33	0.81
RC7-The County Government has utilized borrowings to meet the budgetary requirements.	14.8	65.6	13.9	4.9	0.8	3.89	1.10
RC8-County Government regularly reviews revenue collection strategy to ensure revenue collection maximization.	3.3	29.5	13.9	44.3	9.0	2.73	0.98
RC9-Revenue collection has a positive influence on the County Government performance.	27.9	54.1	4.1	9.0	4.9	3.91	1.08
Average Mean Score	18.9	44.9	9.5	20.0	6.6	3.5	0.98

Revenue Administration

RA1-There is an established system of revenue administration in the County Government.	16.4	40.2	20.5	19.7	3.3	3.47	1.05
RA2-The revenue administration system implemented by the County Government ensures efficient and effective management of County revenues.	11.5	31.1	25.4	26.2	5.7	2.16	0.93
RA3-On matters of revenue mobilization, the County Government has adequately trained its revenue collection employees.	18.0	46.7	12.3	23.0	0	3.60	0.69
RA4-Local revenue collection has been automated to guarantee the collection and proper accounting of all revenues from the identified sources.	17.2	61.5	12.3	9.0	0.0	3.87	0.60
RA5-County Government has implemented a mechanism for measuring effectiveness of resource mobilization effort.	10.7	46.7	16.4	15.6	10.7	3.31	1.12
RA6-The system of revenue administration has a positive impact on County Government performance.	26.2	57.4	11.5	4.9	0.0	4.05	1.25
RA7-Revenue mobilization effort directly affects performance.	18.0	65.6	9.0	7.4	0.0	3.94	1.20
RA8-County Government has put a mechanism in place to manage revenue collection and ensure compliance	12.3	51.6	12.3	23.8	0.0	3.52	0.81
Average Mean Score	16.3	50.1	15.0	16.2	2.5	3.6	0.95

N=122

Source: Field Survey (2025)

The respondents showed a mixed view on the Counties' reliance on the locally generated revenue. Fifty percent of the respondents believed that Counties largely depends on the locally collected revenue. The mean was 3.26, indicating a slight tendency towards agreement, suggesting that while some respondents acknowledge the Counties' reliance on local revenue, others are skeptical or not convinced. The high standard deviation of 1.21 indicates considerable variability in opinions, reflecting diverse views on Counties' dependence on locally collected revenue. There was a positive sentiment towards the Counties' identification and operationalization of their own-source revenue streams. A significant 77.6 percent of the respondents agree that Counties have successfully identified and operationalized their own-source revenue streams. The mean rating was 3.76, demonstrating a strong consensus. The standard deviation was relatively low at 0.87, suggesting minimal variation in the opinions of the participants.

These findings somewhat disagree with Qanchora's (2021) findings that Counties have heavy reliance on the equitable share of revenue to execute their functions despite the identification of the numerous own-source revenue sources that could be operationalized to yield more revenues. The author further established that, despite the identification of Counties' own-source revenue streams, there are weak own-source revenue mobilization strategies. A significant majority of the respondents, 82 percent affirmed that Counties regularly review their revenue sources with a mean of 3.95 indicates robust consensus amongst the respondents. The standard deviation was low, that is 0.90, less variation in responses. Approximately 60.7 percent of respondents believe the Counties conduct cost-benefit analyses. The mean rating was 3.56 showing agreement whereas the standard deviation was 0.95. As noted by Muchiri and Muthinja (2023) that County Governments' own source revenue collection costs are high and recommended for automation to reduce these costs.

There was a 70.5 percent consensus among the respondents that County Governments have been successful in mobilizing resources from external sources such grants, loans, partnerships with a mean of 3.60 and a modest variation as reflected by a measure of variation of 1.05. Ndalila (2016) discovered that, whereas Counties borrow to meet the funding gap, the PFM Act imposes strict borrowing conditions on Counties such as

borrowing solely for development purposes and securing County assemblies' prior approval and obtaining national government guarantee.

Respondents generally supported the statement that the Counties have plans for enhancing resource mobilization as indicated by 68 percent of the participants with an average rating of 3.68 and low variation in responses as reflected by standard deviation of 0.93. The research evaluated respondents' overall responses to various statements concerning the identification and operationalization of County revenue sources. On average, the mean score across all statements was 3.6, suggesting a general inclination towards agreement with the statements related to County revenue sources. However, there was some degree of variation in respondents' opinions as revealed by the average measure of variation of 0.99. This research outcome aligns well with the findings of Adu, *et.al.*, (2020) in the evaluation of sources of revenue and factors limiting the effectiveness of revenue collection Ghana. The authors established that through identification and operationalization of revenue sources, institutions improve public revenue mobilization.

A substantial 76.2 percent of respondents are of the opinion that Counties have established functions for enforcing revenue collection. This consensus is strongly endorsed, with a mean rating of 3.85 reflecting a high level of agreement. The standard deviation was 0.69, which signifies an unnoticeable amount of variation in the responses. Additionally, respondents demonstrated agreement on the statement that targets are set for local revenue collection as supported by 92.6 percent, with a mean of 4.22 and a low measure of variation of 0.60, the opinions showing a high level of agreement among the respondents. and minimal variation in responses. Further, 96.7 percent of respondents affirmed that revenue collection targets are consistently attained with an average mean score of 4.38 and standard deviation of 1.12. This indicates that though there was a strong level of consensus among the responses, still a noticeable variation in responses was prevalent.

These result contrast with that of Mahambe (2021), who found that, in research focused on the effectiveness of managing contracts for outsourced revenue collections within local government agencies in the Republic of Tanzania, revealed close adherence to the terms outlined in their contracts. This strong adherence has been instrumental in enabling them to achieve the revenue collection targets specified in these agreements.

By following the contractual terms, the collectors have not only ensured compliance but have also effectively met or exceeded the revenue goals set forth by the City Council. This consistent performance underscores the importance of contract adherence in optimizing revenue collection outcomes. Respondents were skeptic about the effectiveness of outsourcing for revenue collection. Only 20.5 percent of respondents agreed. A substantial 70.4 percent had reservations about the effectiveness of outsourcing for revenue collection, mean of 2.39, standard deviation of 1.25, which reflects a general disagreement with the statement. This further suggests that respondents are not convinced that outsourcing improves or has led to improvement in revenue collection. Only 37.7 percent agreed that outsourced revenue collection leads to increased revenue. Fifty-four percent held an opposing view. The response was associated with a mean of 2.75 which indicates a moderate level of disagreement, reflecting uncertainty about the effectiveness of outsourced revenue collection. The standard deviation of 1.20 hints a notable variation in respondents' opinions.

This finding presents a different perspective compared to Walubengo's (2022) study, on the influence of outsourcing revenue collection on revenue optimization in Western Counties, including Busia, Vihiga and Bungoma. Walubengo's research found that outsourcing revenue collection resulted in a higher volume of collected revenue, thereby enhancing the overall efficiency of revenue collection in these western Counties. Respondents provided a mixed though generally positive view on the County effort to reduce budgetary deficits by the County Governments through enhanced revenue collection. Fifty-five percent with an average mean rating of 3.33 and low standard deviation of 0.81 showing moderate consensus that Counties have put efforts directed to addressing budgetary deficits through enhancement of revenue collections. Further, 80.4 percent of the respondents agreed that Counties have utilized debt to address budgetary deficit. A mean of 3.89 and moderate standard deviation of 1.10 exhibits strong concurrence amongst the participants with moderate variation in the responses.

An insignificant percentage, 32.8 percent of respondents agreed that County Governments regularly review revenue collection strategy to ensure revenue collection maximization. There was a mean of 2.73 and a moderate deviation as indicated by a measure of variation of 0.98 which reflects a moderate disagreement with some

variation. Eighty-two percent, with a mean score of 3.91 and a deviation indicator of 1.08, agreed that revenue collection positively affects Counties' performance. The findings of this study agree with those of Muchiri and Muthinja (2023), who determined that automating revenue collection has a significant positive effect on generating revenue from internal sources.

The responses suggest that there is a generally positive perception of the County's revenue administration system. A moderate 56.6 percent of respondents agreed that such a system has been established and is effective. There was a mean of 3.47, which indicates a moderate level of consensus, reflecting a belief that while an established system exists, opinions are mixed on its effectiveness. There was a slightly noticeable variation in the level of responses and evidenced by a standard deviation of 1.05. This signifies a wide range of responses, pointing to varying opinions about the system's presence and effectiveness. Analysis of responses further shows that respondents are less convinced about the efficiency and effectiveness of the revenue administration system. Only 42.6 percent agreed that the revenue administration system implemented by the County Governments ensures efficient and effective management of County revenues. The mean of 2.16 reflects some disagreement, suggesting some doubts about the system's capability to manage revenues efficiently. The standard deviation of 0.93 indicates moderate variability, showing differing opinions on the system's effectiveness.

These findings align with the findings Ochuodho and Ngaba (2020) who in the study on revenue administration strategies and County financial performance established that Counties have not fully implemented the usage of IFMIS. The authors further found out that full implementation of revenue administration system could lead to enhance County revenue collection performance. A relatively positive response of 64.7 percent of the respondents contending that Counties have adequately trained their revenue collection staff. An average rating of 3.60 suggests a moderate level of consensus amongst the research participants. This indicates confidence in the training provided to revenue collection employees by the Counties. There was a lower standard deviation of 0.69 demonstrating that the outcome was relatively coherent, with general agreement on the adequacy of training offered.

This finding contrasts with the findings of Oduol (2023), who in the study on “governance frameworks and revenue enhancement in devolved governments in Kenya”, established that County Governments revenue collection functions have not been adequately resourced. Further, Munguti (2022) while examining strategies adopted by County Governments in the quest of enhancing own source revenue in Machakos County found out that lack of experienced and qualified staff is the highest challenge in revenue collection by County Governments. There was a consensus amongst the respondents that revenue collection has been automated. A significant portion of the respondents, 78.7 percent with a mean of 3.87, affirmed automation of revenue collection. The low standard deviation of 0.60 indicates unnoticeable fluctuation among the respondents.

In contrast, a moderate percentage of the respondents, 57.4, confirmed that County Governments have implemented mechanisms to measure the effectiveness of resource mobilization efforts. There was a mixed view amongst the respondents on the effectiveness of the automations implemented by the Counties with a mean score of 3.31, which reflects moderate agreement. The standard deviation of 1.12 shows considerably noticeable variability in responses, reflecting differing opinions on this aspect. This outcome aligns with that of Ligeyo (2019) who established through analysis that Counties have managed to fully automate approximate a fifth of their revenue streams with a third of the revenue streams being fully non-automated. The author further noted that the fully automated revenue streams have witnessed stability in and consistency in revenue performance. Furthermore, a noticeable 83.6 percent of respondents agreed that the system of revenue administration positively influences the performance of County Governments as proven by a mean of 4.05 and a noteworthy fluctuation in responses as proven by the standard deviation of 1.25. This further affirms Ligeyo (2019) findings.

This statement that revenue mobilization efforts directly impact the performance was confirmed by most of the respondents, with 83.6 percent of the participants consenting to the statement and a mean of 3.94. However, there were some variations amongst the respondents as evidenced by a standard deviation of 1.20, indicating differing levels of agreement on the direct impact. There was a mixed variation amongst the respondents as evidenced by a moderate portion of 63.9 percent of the respondents agreed that

mechanisms for managing revenue collection and ensuring compliance have been established by the Counties. The average mean score was 3.52 with a moderate variation response proven by the standard deviation of 0.81. The average mean score across all statements was 3.6, indicating a generally positive view of revenue administration practices. The average standard deviation of 0.95 reflects moderate variation in responses.

4.4.2 Descriptive Results for Resource Allocation Reforms

The study required opinions from the respondents regarding the degree of agreement with the measurement items related to resource allocation reforms. The results were analyzed for percentages, mean and standard deviation. This section provides descriptive results for the second independent variable, resource allocation reforms.

Table 4.4: Descriptive Results for Resource Allocation Reforms

	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mea n	SD
Budget Planning							
BP1-There is extensive consultation in the process between County Government departments in preparation of the County budgets.	12.3	52.5	18.0	16.4	0.8	3.59	0.78
BP2-The budget planning process considers both expected revenue collection and the equitable shares allocated by the national government.	13.9	64.8	13.1	7.4	0.8	3.84	0.79
BP3-Budgetary allocations are aligned to the County multi-annual development plan.	12.3	50.8	13.9	20.5	2.5	3.50	1.00
BP4-County Government has its own guidelines for the County Government development and recurrent plans in its budgets.	23.0	71.3	4.9	0.0	0.8	4.16	0.95
BP5-Budget planning influence County Government performance to a great extent.	11.5	37.7	25.4	22.1	3.3	3.32	0.84
BP6-Budget planning process is effective.	10.7	46.7	23.0	19.7	0.0	3.48	1.02
BP7-County Government frequently reviews budget to address society needs.	5.7	24.6	41.8	25.4	2.5	3.05	0.67
Average Mean Score	12.8	49.8	20.0	15.9	1.5	3.6	0.86
Budgetary Control							
BC1-A mechanism for budget implementation, monitoring and evaluation is in place.	7.4	15.6	20.5	42.6	13.9	2.60	1.07

BC2-The monitoring mechanism implemented is an effective budget monitoring tool.	17.2	50.8	13.9	18.0	0.0	3.67	0.92
BC3-The monitoring mechanism in place provides timely feedback useful in making necessary adjustments on time.	16.4	40.2	28.7	14.8	0.0	3.58	0.95
BC4-There is an established budgetary monitoring committee tasked with periodic feedback on budget performance.	18.0	44.3	13.1	23.0	1.6	3.54	1.19
BC5-There are reports prepared and presented to management by the budgetary committee on budget performance.	19.7	67.2	4.1	9.0	0.0	4.0	0.99
BC6-The County budget is executed in accordance with the approval of the Assembly, and any modifications to the budget require prior concurrence from the County assembly.	17.2	59.8	11.5	11.5	0.0	3.82	1.00
Average Mean Score	16.4	47.0	15.3	19.0	2.3	3.6	1.02
Equitable Resource Allocation							
ERA1-There is fairness in allocation of resources in the County Government.	19.7	50.8	22.1	7.4	0.0	3.83	0.80
ERA2-County Government has established a criterion adopted during resource allocation that is strictly adhered to.	8.2	32.0	18.9	31.1	9.8	2.98	0.89
ERA3- Resources are allocated to the County's agencies on schedule.	7.4	32.8	17.2	31.1	11.5	2.93	0.94
ERA4-There are funds allocated to cater for emergencies or opportunities.	10.7	43.4	15.6	21.3	9.0	3.25	0.82
ERA5-County Government allocates based on projects and programs anticipated to be executed.	26.2	54.1	10.7	9.0	0.0	3.98	1.19
ERA6-County budget formulation has ensured regional balancing	13.9	46.7	19.7	17.2	2.5	3.52	1.21
ERA7-Resource allocation has considered various departments in the County.	11.5	52.5	22.1	13.9	0.0	3.61	1.16
Average Mean Score	13.9	44.6	18.0	18.7	4.7	3.4	1.00

N=122

Source: Field Survey (2025)

Respondents positively viewed the consultation process between County departments during budget preparation. This was confirmed by 64.8 percent of respondents who agreed that extensive consultation occurs with a mean of 3.59 indicates moderate consensus. The standard deviation was low at 0.78, suggesting that respondents had a consistent perspective. This agrees with the findings of Musyoka and Kamande (2023)

that financial management has been decentralized to departments though it was affected by a lot of inefficiencies especially related to technology adoption, oversight and timely supplementary budgeting. On a more positive note, 78.7 percent of the respondents observed that the planning process considers both expected revenue collection and equitable share from the National Government. These results were associated with a mean of 3.84 demonstrating confidence in the comprehensive nature of the budget planning process.

There was a low variation in the level of responses amongst the respondents and evidenced by a standard deviation of 0.79. This indicates that while most respondents agree, there were few respondents holding differing views on how thoroughly revenue and equitable shares are considered. Opinions were mixed on the statement that budgetary allocation aligns with the priorities in the County multi-annual development plan. A moderate number of respondents, 63.1 percent, agree with the statement with a mean of 3.50 which indicates tendency towards agreement amongst the respondents. This reflects a belief by the respondents that priorities are considered but also noting substantial disagreement. The standard deviation was 1.00, which shows considerable variation in the level of responses amongst the respondents. The statement that County Governments have established their own guidelines for development and recurrent plans garnered high agreement amongst the respondents, with 94.3 percent of respondents affirming that the County has its own guidelines for development and recurrent plans. There was a high mean of 4.16 which reflects consensus, suggesting confidence in the existence and application of these guidelines. Further, the standard deviation was 0.95, indicating some variations.

These findings disagree with Mutambuki and Kabui (2022), findings in the study examining resource allocation in Laikipia County Government and established that resource allocation is guided by the policy guidelines and that project feasibility study improves decision making and enhances project performance. Contrastingly, only 49.2 percent believe that budget planning significantly influences the performance of County Governments. The mean score was 3.32, which indicates that, while many believe in the influence of budget planning, there is also substantial skepticism among the respondents. The standard deviation was 0.84 which reflects moderate variability, showing differing opinions on the extent of budget planning's impact on performance.

This contrasts the findings by Nyanumba, Rotich, Gekara, Keraro and Okari, (2017) who found that budget planning effectively supports financial sustainability and development in Kenyan Counties when following the PFM Act of 2012. A moderate number of respondents, that is 57.4 percent, find the budget planning process effective. The mean score of 3.48 and a measure of variation of 1.02 suggest moderate consensus and that while some respondents view the process as effective, others have reservations and are skeptical about the effectiveness.

This indicates differing views on the effectiveness of the process. An insignificant portion of the respondents, that is only 30.3 percent, noted that the Counties frequently review the budget to address societal needs. The mean was 3.05 which reflects moderate disagreement, suggests that many respondents find the budget review process insufficient in addressing societal needs. The standard deviation of 0.67 indicates low variability, showing a consistent yet negative view on this aspect of budget planning. The study results reveal that the average mean score across all statements related to budget planning practices is 3.6. This score reflects a generally positive perception of how budget planning is handled. Respondents commonly agree that the budgeting process adequately considers revenue sources and adheres to established guidelines. However, there are notable areas of concern.

Specifically, there was less confidence in how effective the budget planning process is and in the frequency with which budget reviews are conducted, sharing a common view with the finding established by Musyoka and Kamande (2023). This suggests that while the foundational aspects of budget planning are seen as sound, there may be significant room for improvement in terms of assessing effectiveness and ensuring regular reviews. An insignificant, 23.0 percent of respondents noted that a mechanism for budget implementation, monitoring, and evaluation is in place, though this is shown in a lower mean score of 2.60 reflecting a moderate disagreement. This suggests that many respondents believe that the mechanism for budget implementation, monitoring, and evaluation is ineffective or lacking and presence of such mechanisms. This finding fails to agree with the findings of Musiega, Nyawira, Tsofa, Njuguna, Munywoki, Hanson and Barasa (2023) established that Counties have implemented tools for monitoring budget implementation.

However, a more positive outlook is observed with 68.0 percent finding the monitoring mechanism to be an effective tool. A mean score of 3.67 indicates consensus, suggesting that respondents generally view the monitoring tool as effective. The standard deviation was 0.92, showing a moderate fluctuation in the level of responses. This indicates some differences in opinion but with an overall positive sentiment about the effectiveness of monitoring mechanism to be an effective tool. Additionally, opinions on the timeliness and usefulness of feedback from the monitoring mechanism are generally positive with 56.6 percent affirming on the statement. The mean was 3.58, which reflects an average consensus agreement amongst the respondents. This suggests that while many find the feedback useful and timely, there is notable disagreement. This was evidenced by a standard deviation of 0.95 which indicates a moderate variation in responses, showing differing views on the effectiveness of feedback. Musiega *et. al.*, (2023) discovered inadequacy in budget monitoring and accountability mechanisms that had undermined the efficiency of County health systems which can lead to embezzlement of public resources.

Furthermore, the presence of a budgetary monitoring committee is seen positively by many respondents supported by a moderate 62.3 percent of the participants with a mean of 3.54 which indicates moderate agreement. However, responses to this statement had noticeable variation as evidenced by a high standard deviation of 1.19. This demonstrates that while many agreed, there are varied opinions on the establishment of the committee and/or its effectiveness. A significant 86.9 percent with a mean of 4.00 and standard deviation of 0.99 highlighted prepared reports are presented to management by the budgetary committee on budget performance. Moreover, 77.0 percent confirmed that budgets are executed in line with the County assemblies' approval and that any modifications require prior concurrence from the County assemblies with a mean of 3.82 and standard deviation of 1.00. Additionally, a study by Sande, Okiro, Wanjare, Omoro and Ojera (2023), the County performance was impacted more by the combination of automated revenue collection technologies, public engagement, and budget procedures than by the practices alone.

The average mean across all statements related to budget control practices was 3.57 with a standard deviation of 1.01. This implies a largely positive assessment from the respondents with moderate variations. the feedback provided throughout these

processes. When assessing resource allocation within the County Government, 70.5 percent of the respondents highlighted that resource allocation is perceived as fair with a mean of 3.83 and standard deviation of 0.80. This indicates that most respondents believe resources are distributed fairly. Contrastingly, opinions on establishment and adherence to resource allocation criteria are more varied. Only 40.2 percent of respondents reported that strict criterion for resource allocation has been established and adhered to. The mean was 2.98, a moderate level of disagreement amongst the respondents. The standard deviation of 0.89 indicates low variation variability and diverse opinions on the adherence to resource allocation criteria amongst the respondents. An insignificant 40.2 percent of the respondents affirmed that resources allocation is done on a strict adherence to schedule with a 2.93 again and standard deviation of 0.94. This indicates some tendency towards disagreement and some variations in the level of responses.

A moderate 54.1 percent of respondents acknowledged that there are funds allocated specifically for emergencies or unforeseen opportunities, with a mean of 3.25 indicating some degree of agreement. The standard deviation of 0.82 shows low variation in responses. As noted by Shigali and Shitseswa (2023) through a study, strict adherence to the County annual development plan during resource allocation could lead to improved service delivery. A significant portion of the participants, that is, 80.3 percent of respondents observed that the County Governments allocate resources based on anticipated projects and programs. This was associated with a high mean of 3.98 and a high standard deviation of 1.19 suggesting some differences in opinion in this practice. Moreover, opinions on regional balancing in budget formulation are somewhat mixed. A moderate portion of 60.6 percent noted that County budget formulation has ensured regional balancing. The mean score of 3.52 indicates moderate agreement. However, this level of response was associated with a high standard deviation of 1.21, indicating a significant level of variation amongst the respondents. This reflects a diverse view on regional equity in budget formulation. The statement that various departments are considered in resource allocation had moderate agreement. A moderate, 64 percent of respondents had a similar view with a mean score of 3.61 reflecting moderate agreement. This suggests that while most respondents felt that departments are considered, there were notable disagreements.

This was further affirmed by a high standard deviation of 1.16 which indicates a considerable variation in the level of respondents among the respondents. This signals a diverse opinion on how well different departments are considered in resource allocation. This is consistent with the findings of Luvisi and Ondiek's (2021), which found no relationship between resource allocation and absorption rate in Western Kenyan County Governments and made the case that absorption rate is not always a reliable indicator of performance. The study results reveal an average mean score of 3.4 for all statements related to equitable resource allocation practices. This score suggests that, overall, respondents view the resource allocation practices as equitable.

Specifically, there was broad agreement on the fairness of the allocation process, the emphasis on project-based allocation, and efforts to balance resources across different regions. Mong'are and Atheru (2023) found a significant unidirectional effect of public budgeting and the performance of Counties. However, there was a significant variation in respondents' opinions on several aspects of resource allocation. Respondents express varying views on how well the allocation criteria are adhered to, the timeliness of resource distribution, and the provisions made for emergency situations. This variability points to some areas where perceptions of the allocation process diverge, highlighting potential concerns or areas for improvement.

4.4.3 Descriptive Results for Audit Reforms

The study required opinions from the respondents regarding the level of agreement with the measurement items related to audit reforms. This section presents descriptive results for the third independent variable of the study, audit reforms.

Table 4.5: Descriptive Results for Audit Reforms

County Assembly Oversight	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	SD
CAO1-County assembly monitors County Government implementation of budgets.	23.0	41.8	19.7	15.6	0.0	3.72	1.11
CAO2-The County Assembly has legislated policies aimed at improving the County Government performance.	32.8	52.5	2.5	8.2	4.1	4.02	0.80
CAO3-County assembly has enhanced efficiency, effectiveness and lawfulness in the collection and application of public funds.	17.2	48.4	8.2	22.1	4.1	3.52	0.89

CAO4- County assembly conducts regular assessments to ensure effectiveness and efficiency in the execution of projects and programs.	17.2	40.2	18.0	15.6	9.0	3.40	0.94
CAO5-Oversight has contributed to improving governance and delivery service at the County level.	10.7	52.5	13.9	19.7	3.3	3.48	0.82
Average Mean Score	20.2	47.2	12.5	16.2	4.1	3.6	0.9
Independent Audits							
IA1-The internal audit function has its independence has not been interfered with.	7.4	27.9	16.4	36.1	12.3	2.82	1.19
IA2-Internal audit function has adequately been resourced	13.9	27.9	30.3	21.3	6.6	3.21	1.21
IA3-The findings of the audit are being presented to County Government management.	42.6	54.9	1.6	0.8	0	4.40	1.16
IA5-Internal audit is effective in ensuring improved County performance.	11.5	36.1	22.1	26.2	4.1	3.25	0.81
IA6-Internal audit function issues practical and implementable recommendations.	17.2	31.1	15.6	34.4	1.6	3.28	0.95
IA7-Independent audit has led to improved level accountability in the County Government.	21.3	44.3	18.0	9.0	7.4	3.63	0.79
Average Mean Score	19.7	36.5	17.6	21.0	4.3	3.5	1.0
Audit Committee							
AC1- There is an established audit committee in the County Government	17.2	37.7	23.0	18.0	4.1	3.50	0.94
AC2-Audit committee have understanding/qualifications in finance.	14.8	68.9	8.2	4.9	3.3	3.87	1.07
AC3-Audit committee meets regularly at least once in four months to discuss audit reports and other matters pertaining to internal audit.	18.9	47.5	15.6	12.3	5.7	3.61	1.14
AC4-Audit reports are prepared in a timely manner.	12.3	55.7	13.9	14.8	3.3	3.59	1.17
AC5-The reports are accessible to all citizens.	11.5	40.2	20.5	23.0	4.9	3.30	1.04
AC6-Audit committee ensures that internal audit recommendations are implemented.	12.3	63.1	15.6	9.0	0.0	3.79	1.22

AC7- Audit committee has an impact on the performance of the County.	21.3	40.2	31.1	5.7	1.6	3.74	1.13
AC8- The independence of the internal audit function has an impact on the performance of County Governments.	20.5	51.6	12.3	12.3	3.3	3.74	0.94
Average Mean Score	16.0	50.1	17.5	12.5	3.3	3.6	1.0
N=122							

Source: Field Survey (2025)

Important insights emerged regarding audit reforms in the County Governments. Respondents perceived that the County assemblies actively monitor the implementation of budgets. This was supported by 64.8 percent of respondents affirming with a mean of 3.72 which suggests a moderate to high level of agreement that the Assembly is effectively involved in monitoring budget implementation. However, the standard deviation was 1.11 which reflects a significant variation in the level of responses. This indicates that while many of the respondents perceived effective monitoring, opinions vary widely on the County Assemblies' role, the overall opinion was positive. This result is consistent with the findings of the study by Muthusi, Kabare and Were (2021) which examined the relationship between parliamentary oversight on execution budgets within the City Counties in Kenya and established a strong and positive effects.

The statement that County Assemblies have legislated policies aimed at improving the County Governments' performance received strong support from the respondent, with 85.3 percent affirming. This response was associated with a mean of 4.02 reflecting consensus amongst the respondents with unnoticeable fluctuation in responses as evidenced by a variation indicator of 0.80 indicating a consensus on the Assemblies' role in policymaking. This agrees with the findings of the study by Mwatsavwa (2021) which established that County assemblies are an essential tool in the formulation and oversight of policies and legislation, which ensures public resources are equally distributed and gets to the people at the grassroot. Additionally, 66 percent of respondents noted that the County Assemblies have made strides in enhancing the efficiency, effectiveness, and application of the existing laws when mobilizing and spending of public resources.

This response was associated with a mean score of 3.52 which signaled a modest extent of consensus amongst the respondents. This indicates that while there was a positive view of the Assemblies' impact, there is notable disagreement. A moderate standard deviation of 0.89 was established which depicts some variability, reflecting diverse opinions on the Assembly's effectiveness in fund management. Nevertheless, there was a somewhat positive level of response that the County Assemblies conduct regular assessments to ensure effectiveness and efficiency in execution of projects and programs as supported by 57.4 percent of the participants. The mean was 3.40 with a standard deviation of 0.94 with some variations. This implies that while assessments are being carried out, there may be opportunities for increasing their frequency or impact. Ouma (2021) noted moderate level of effectiveness of County Assemblies in Kenya. A moderate 63.2 percent of the respondents affirmed that the Counties' oversight role has impacted service delivery. The mean was 3.48 with a standard deviation of 0.82, demonstrating a modest agreement with a moderate variation in the level of responses.

There was a mean of 3.63 with a standard deviation of 0.91 across all statements related to the County Assemblies' oversight practices. This score reflects a generally positive perception of the County Assemblies' oversight role. Respondents expressed concerns about the autonomy of the internal audit functions as only 35.3 percent of respondents agreed that the internal audit functions are independent. This response was associated with a mean score of 2.82 indicates a tendency towards disagreement, suggesting compromised independence of the internal audit function. There was a standard deviation of 1.19 which reflects a considerably significant variation in responses. This demonstrates a diversity in responses. A slightly low portion of the respondents, that is, 41.8 percent of respondents with a mean of 3.21, posited that the internal audit functions are adequately resourced. This suggests some consensus, indicating that while some respondents believe that there are adequate resources, there is a noteworthy portion of the respondents holding opposing views. The standard deviation was 1.21, which signifies substantial variation among the respondents. This further reflects a diverse opinion on whether the internal audit function is sufficiently resourced. Tetteh (2022) established that issues such as inadequate implementation of audit recommendations, limited support from management, and resource constraints were significant obstacles.

This discrepancy suggests that while some aspects of internal audit support are in place, there are still notable gaps that need addressing to enhance its effectiveness and independence. On a more positive, 97.5 percent of the respondents with a mean of 4.40 held stand that the administration of the County Governments is presented with the results of the audit. The standard deviation was 1.16 which denotes some diversity among the respondents, despite the general agreement that the audit findings are successfully communicated. This result is consistent with the findings of the study by Abubakar and Omwenga (2021) which established that County Governments have a well-established and operational internal audit unit that conducted timely audits and reported its results straight to upper management. Further, 48 percent of respondents with a mean of 3.25 felt that internal audit is somewhat effective in improving County performance. This demonstrates that, while some of the respondents perceive internal audits as beneficial for performance improvement.

The standard deviation was 0.81 which shows a moderate variation. Similarly, 48 percent of the respondents with a mean of 3.28 noted that internal audit functions have provided practical and implementable recommendations for improvement, The responses were linked to a moderate standard deviation of 0.95 showing moderate variation hence reflecting diverse views on the practicality of audit recommendations. This finding aligns with findings of the study by Tetteh (2022) which identified a challenge in the low level of implementation of audit recommendations that has become a hindrance to the effectiveness of internal audits.

A moderate 65.6 percent of respondents agreed that audit has led to improved accountability in the County Governments, with a mean of 3.63. The standard deviation was 0.79 which implies that the level of replies varied little and a consensus that independent audits contribute to better accountability. This finding is also consistent with Tetteh (2022)'s findings, that internal audit lays an essential position in giving independent assurance and mitigating financial loss and accountability issues. The survey results show an average mean score of 3.63 across all statements related to County assemblies oversight practices. This score indicates a generally positive view of the County Assemblies' oversight functions. Despite this positive overall assessment, opinions diverge on several specific aspects of the County Assemblies' oversight role. Respondents demonstrated varied views regarding the County

Assemblies' effectiveness in fund management, the consistency and impact of its assessments, and their overall contribution to governance and service delivery.

The average standard deviation of 0.91 reflects mid-level fluctuation in the responses, indicating a spectrum of opinions about the County assemblies' oversight activities. Musiega *et. al.*, (2023) established that internal audit function, if appropriate resources, could be a step toward ensuring accountability and enhancing performance in the County Governments. It was evidenced by a moderate level of agreement, 55 percent of respondents affirmed said that an audit committee has been established in the counties, with a mean of 3.50. The standard deviation was 0.94, which reflects moderate variability, indicating some differing opinions about the presence and or the effectiveness of the audit committee. Further, respondents generally expressed the feeling that the audit committee is well-qualified with financial knowledge, a significant portion of the respondents, that is, 83.7 percent of respondents agree that the audit committee has the necessary financial understanding.

This was accompanied by a mean of 3.87, which reflects consensus and suggests confidence in the audit committee's qualifications. Some variation in the level of responses was also established as demonstrated by the standard deviation of 1.07, though the overall view is positive. This aligns with Zaidan and Neamah (2022) findings that a positive relationship exists between the professionalism and qualifications of members. This high score highlights the committee's expertise in financial matters. Furthermore, there is a moderate level of agreement that the audit committees meet regularly. A moderate 66.4 percent of respondents agree that meetings occur at least once every four months. Response to this statement was associated with a mean of 3.61 which suggests a positive view of the regularity of meetings, though there is notable skepticism among some respondents.

The standard deviation was 1.14, which shows considerable variation indicating differing opinions on the frequency of the committee's meetings. This allies with the finding in a study conducted by Friyani, *et. al.*, (2022) which revealed that performance of internal audits and audit committees were established to significantly affect the accomplishment of good governance. In terms of timeliness of audit report preparation, they were positive with 68 percent of respondents affirming that audit reports are prepared in a timely manner, as reflected in a mean of 3.59. The mean of 3.59 indicates

moderate agreement, suggesting that while many believe reports are timely, there are notable concerns about delays. The standard deviation was 1.17, which reflects noteworthy variation in the level of responses amongst the respondents.

However, only 51.7 percent felt that these reports are accessible to all citizens. This was associated with a mean was 3.30, which suggests that while access is generally perceived as adequate, there is significant concern about public accessibility. There was a moderate level of variation amongst the respondents as supported by a standard deviation of 1.04, reflecting varied opinions on the accessibility of audit reports. This finding has consensus with the findings by Momanyi, *et. al.*, (2022) investigated how audit committees affected the efficiency of internal audits in the County Governments of Kericho and Nyandarua. They revealed a strong correlation linking the efficiency of internal audits and the financial knowledge of audit committee members. This underlines how crucial it is for audit committee members to be aware and competent to improve internal audits' overall efficacy.

On a positive note, there was a high level of consensus amongst the participants that the audit committee ensures implementation of internal audit recommendations. A significant 75 percent of the respondents indicated that the audit committee established ensures audit recommendations have been implemented. The response was associated with a mean score of 3.79 which reflects a consensus and indicates confidence among the respondents in the audit committee's role in ensuring recommendations are made upon. There was a considerably higher level of variation amongst the respondents as evidenced by the standard deviation of 1.22, suggesting some differing views on the effectiveness of this oversight. Moreover, 62 percent of respondents indicated that they perceive the creation of the audit committee as having a favorable impact on the Counties' overall performance. This sentiment is reflected in a mean of 3.74, suggesting that most individuals view the committee's establishment as a beneficial development. The relatively high mean score underscores the committee's perceived effectiveness in enhancing operational efficiency and accountability within the County.

The response was associated with a moderate variation as demonstrated by a standard deviation of 1.13, which indicates diversity in respondents' opinions on the audit committee's influence. Friyani, *et. al.*, (2022) established that performance of internal audits and audit committees has an impact on how well corporate governance is

implemented. Similarly, 72 percent of the respondents believed that internal audit independence has been interfered with and in turn affecting performance. This was reflected in a mean of 3.74 which signifies an optimistic viewpoint of the impact of audit independence on performance. The standard deviation of 0.94 shows moderate variability, reflecting a range of opinions on this issue. These findings underscore the beneficial role of both the audit committee and internal audit independence in enhancing County performance and governance. Jarah *et. al.*, (2022) found out that the independence of internal audit functions is only guaranteed where there is an audit committee at the board level.

Furthermore, Friyani, *et. al.*, (2022) findings demonstrate that the effectiveness of audit committees and internal audit activities significantly affects the implementation of sound corporate governance. The research findings had a mean of 3.28 for all statements concerning the audit committee's role and effectiveness. This score indicates a generally positive view of the committee's performance. Respondents generally agree that the audit committee possesses the necessary qualifications, meets regularly, effectively ensures the implementation of recommendations, and has a positive impact on performance. However, there are notable concerns in specific areas. Respondents express significant apprehension about the objectivity of the internal audit department, the timeliness of audit reports, and the accessibility of these reports to the public. These issues suggest that while the audit committee is viewed positively in terms of its qualifications and operational practices, there are areas where its effectiveness and transparency could be improved. There was a moderate level of variation as indicated by an overall standard deviation of 1.08 which reflects a diverse range of opinions about the audit committee's oversight and impact. This variability highlights that, although there is general agreement on certain positive aspects of the audit committee's role, there are differing views on its performance in key areas such as independence, report timeliness, and public accessibility.

4.4.4 Descriptive Results for Public Participation Reforms

The study required opinion from the respondents regarding the degree of agreement with the measurement items linked to public participation reforms. The results were analyzed for percentages, mean and standard deviation. This section presents descriptive results of the fourth independent variable, public participation reforms.

Table 4.6: Descriptive Results for Public Participation Reforms

Citizen Participation	Attendance and	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	SD
CAP1-Public participation programs have been established by the County Government.		23.8	67.2	5.7	3.3	0.0	4.11	0.61
CAP2-There is adequate mobilization to ensure attendance and participations		16.4	39.3	27.9	10.7	5.7	3.50	1.08
CAP3-There is sufficient political will and commitment to public input.		44.3	48.4	5.7	1.6	0.0	4.35	1.12
CAP4-Citizens have always attended public participation meetings in large numbers.		55.7	39.3	4.1	0.8	0.0	4.50	1.14
CAP5-For majority of public finance management meetings, the citizens have been informed on time.		41.0	51.6	4.9	2.5	0.0	4.31	1.14
CAP6-The County actively promotes interactive public participation and conducts social impact assessments to consider the interests of all stakeholders involved.		25.4	56.6	11.5	6.6	0.0	4.00	1.02
CAP7-Public participations have covered topics on revenue sources, allocation, and spending.		23.0	41.0	20.5	14.8	0.8	3.70	1.12
CAP8-Citizens understand the importance of participation.		28.7	53.3	8.2	9.0	0.8	4.00	1.08
CAP9-Citizens actively participate by giving their views.		20.5	45.9	23.0	9.8	0.8	3.75	1.05
Average Mean Score		31.0	49.2	12.4	6.6	0.9	4.02	1.04
Public Empowerment								
PE1-The public holds the County Government accountable for projects that have not been implemented, experienced delays, or failed to meet established standards.		18.9	27.0	22.1	31.1	0.8	3.32	1.13
PE2-Citizens have been empowered to comprehend how the County Government manages public finances.		37.7	49.2	8.2	4.1	0.8	4.19	0.61

PE3-Effective public participation provides solutions to the complicated budget and fiscal dilemmas and encourages good governance	23.0	57.4	11.5	7.4	0.8	3.94	1.12
PE4-Public participation limits the amount of time spent thus creating and effectively managing capital resources	50.0	31.1	10.7	3.3	4.9	4.18	0.82
Average Mean Score	32.4	41.2	13.1	11.5	1.8	3.91	1.08
Citizen Influence							
CI1-There is a recording of citizen views during citizen involvement programs by the County official.	42.6	54.9	1.6	0.8	0.8	4.40	1.13
CI2-Citizens have been provided with safeguards to freely present their views.	23.8	33.6	18.9	21.3	2.5	3.55	0.84
CI3-Citizens have always raised valid concerns on matters affecting County performance	11.5	36.1	22.1	26.2	4.1	3.24	1.00
CI4-There are meetings organized by County officials to discuss the citizen views.	17.2	31.1	15.6	34.4	1.6	3.28	1.01
CI5-The County Government considers citizen perspectives on the mobilization and allocation of public finance during its decision-making processes.	18.0	65.6	9.0	7.4	0.0	3.94	0.74
CI6-Lack of consideration of citizen views may/has result in the embezzlement of County resources.	5.7	14.8	9.8	51.6	18.0	2.39	1.04
CI7-Public participation has led to improved level of performance by the County Government.	18.0	16.4	28.7	26.2	10.7	3.05	1.11
Average Mean Score	19.5	36.1	15.1	24.0	5.4	3.41	0.98

N=122

Source: Field Survey (2025)

Majority of respondents believe that the County Governments have established public participation programs. This was evidenced by a significant 91 percent of respondents with a mean of 4.11 and a standard deviation of 0.61. This means that there is broad agreement that public involvement initiatives exist. The study further sought respondents' opinions on mobilization efforts to ensure high attendance and

participation. The responses were somewhat mixed with a moderate 55.7 percent with a mean of 3.50 of respondents affirming. The standard deviation association with this response was 1.08, which reflects moderate variation in the level of respondents. This suggests that opinions on the effectiveness of mobilization efforts moderately vary amongst the respondents. This aligns with the findings of Mutahi, Kirui and Kipkoech (2024), that the County Governments conduct public Barrazas to consult on which projects are desired for each sub-County.

These Barrazas are held uniformly across each sub-County. This process assists in integrating the strategies for the sub-Counties, which are then integrated into the County's annual development plan. Furthermore, 92.7 percent affirm the existence of sufficient political will and commitment to incorporating public input. The mean to this statement was 4.35 highlighting the government's dedication to valuing and incorporating public input into the County plans. The standard deviation was 1.12, which shows moderate variability, with some differing opinions. Respondents overwhelmingly agree that citizens attend public participation meetings in large numbers. This was supported by 95 percent of the respondents observing that public participation meetings are well attended, the mean to this statement was 4.50. The standard deviation was 1.14, which indicates a moderate level of variation amongst the respondents.

This suggests that while the general view is positive, there are still some differing opinions on the extent of attendance. Ngoyoni (2021) observed, however, that the Counties had neglected to inform the locals about how and whether their input had an impact on the decisions that were ultimately made. Additionally, 92.6 percent note that citizens are informed about public finance management meetings in a timely manner. The mean was 4.31 and the standard deviation was 1.14, which suggests agreement with variation in the level of responses amongst the respondents. Malusha (2023) noted that informing the participants well in advance, during and after the public participation forums significantly increase the implementation of various County projects. There was consensus that the Counties promote interactive public participation and conduct social impact assessments as reported by a whopping 82 percent with a mean of 4.00. This demonstrates a comprehensive approach to engaging the community and evaluating impacts. The responses had a relatively low level of variation as reflected by the

standard deviation of 1.02. This suggests that while most of the respondents perceived active promotion and impact assessments, there were some who held a diverse range of opinions on the subject.

This finding agrees with the findings obtained by Chisika and Yeom (2024) through a study that Counties have strived to ensure enhanced public participation in all projects though budget allocation to public participation has been a hindrance towards achieving high participation. The authors also affirmed that it is unfortunate that the impact of participation is not being evaluated. Additionally, 64 percent reported that public participation addresses key topics such as revenue sources, allocation, and spending, supported by a mean of 3.70. Despite strong efforts by the County Governments to establish and promote public participation, there are varying levels of citizen engagement and understanding that need further improvement. A significant portion of the respondents believed that citizens understand the importance of public participation as evidence by 82 percent affirming the statement with mean of 4.00 and standard deviation of 1.08. Furthermore, the study sought respondents' opinion on active participation by citizens. There was a moderate level of agreement as proven by a mean of 3.75 and a standard deviation of 1.05 which reflects moderate variability.

The findings agree with those of Kumagai, *et. al.*, (2019), that integrating citizen engagement into public financial management leads to better results and enhanced accountability underscoring the importance of citizen involvement in improving financial outcomes and governance. The survey results reveal an average mean score of 3.84 across all statements related to public participation and citizen engagement. This score reflects a generally positive perception of how public participation initiatives are managed. Respondents broadly agree that there are established programs for public participation, that there is political will to support these efforts, and that citizens are adequately informed and generally attend meetings. Nevertheless, there is significant variability in opinions regarding several specific aspects of public participation. Respondents exhibit differing views on the effectiveness of mobilizing citizens, the matters covered in participation programs, and the level of active engagement from the community. These areas of variability suggest that while public participation efforts are seen positively overall, there are concerns about how effectively these programs mobilize and engage citizens, and how comprehensive and impactful they are in

addressing various topics. The average measure of variability of 1.08 indicates moderate variation in the responses, underscoring the diversity of opinions about different elements of public participation and citizen engagement.

This variability highlights that, despite a consensus on the presence of public participation programs and citizen involvement, there are differing perspectives on the effectiveness and scope of these initiatives. Otieno, Kathina, Gikonyo, Matindi, Nditi and Kitili (2022) discovered that a well-implemented civic education program educates individuals on their civic rights and duties, along with providing insight into how the government operates. The public's role in holding the County Governments accountable is perceived with mixed perceptions. A moderate number, that is, 45.9 percent of respondents believe that the public holds County Governments accountable for projects that have not been implemented, experienced delays, or failed to meet established standards, as reflected by a mean of 3.32 suggesting a tendency towards agreement and indicates recognition of accountability. The standard deviation was 1.13, which highlights significant variability in responses, pointing to divergent opinions on the public's role in accountability. Contrastingly, a consensus is that citizens are empowered to understand public finance management with a significant 86.9 percent of respondents affirming the statement.

The mean was 4.19, which reflects high agreement. Response was associated with an insignificant variation as evidenced by low standard deviation of 0.61, suggesting that citizens have a good understanding of financial management. Munyao (2019) identified systemic gaps in the public participation process that affected its outcomes and, in turn, undermined public accountability. Specifically, the issues included deficiencies in civic education, the absence of public participation laws, and inconsistencies in communication. Effective public participation was perceived by the respondents as beneficial for resolving budgetary issues and promoting good governance. A significant 80.4 percent of respondents with a mean of 3.94 held a similar view on this statement. There was a moderate level of variation as evidenced by the standard deviation of 1.12 which shows some differences in opinion about the effectiveness of public participation in addressing complex budgetary problems. Menon, Hartz-Karp and Marinova (2021) established that civil society is a key enabler in boosting the public participation process and stimulates state accountability. There was significant agreement that public

participation improves the management of capital resources by saving time with 81.1 percent of respondents with a mean of 4.18 holding a similar view.

The standard deviation was 0.82, which indicates relatively low variations, suggesting a strong consensus on the benefits of public participation for capital resource management. These results are in line with Nabulime (2021) who established that the project failure or success is contingent on the level of community involvement. The survey results show an average mean score of 3.91 for all statements concerning citizen participation and its impact. This score reflects a generally positive view of how citizen involvement contributes to various aspects of governance. Respondents strongly agree that public participation improves understanding of financial matters, enhances governance, and helps in the effective management of resources.

An overwhelming 97.5 percent of respondents noted that citizen views are recorded during involvement programs by County officials, with a high mean of 4.40. This indicates a strong practice of documenting public input. The standard deviation was 1.13, which suggests some variations in responses. However, a moderate percentage, 57.4 percent of the respondents, felt that citizens have been provided with adequate safeguards to freely present their views, as reflected in an average mean of 3.55 and standard deviation of 0.84, showing moderate variations. This finding contends with those of Menon and Hartz- Karp (2019) who established a low level of public participation in India and argued that citizens are involved in decisions when they are only aware of opportunities to changing their status, which may bring good project results. Additionally, only 47.6 percent of respondents reported that citizens consistently raise valid concerns affecting County performance, an average mean score of 3.24 and a measure of variability of 1.00 which highlights notable variability in opinions, suggesting differing views on the relevance and impact of citizen concerns.

Similarly, a moderate number, 48.3 percent of the respondents, noted the existence of organized meetings by the County officials to discuss citizen views are occurring, this is reflected by a mean of 3.28 with moderate variation in level of responses as indicated standard deviation 1.01. On a more positive note, 83.6 percent observed that the County Governments take citizen perspectives into account when mobilizing and allocating public finances, achieving a mean score of 3.94. There was very little variation in the level of responses and indicated by the low standard deviation of 0.74. This finding

aligns with Menon and Hartz (2019), who discovered a mixture of leaders who are willing to steer proper management, as well as participation groups collaborating via a well-structured model of purposeful democracy. In contrast, only 20.5 percent believed that the lack of consideration of citizen views has led to or could lead to the embezzlement of County resources, with a low mean score of 2.39 and a standard deviation of 1.04.

Respondents believed that increased public participation has resulted in the County Governments performing at a higher level, as indicated by 34.4 percent of the respondents with a mean of 3.05 and a standard deviation of 1.11. This result validates the findings of Nyagah and Njoka (2022), who found a moderating influence of public engagement on public financial management performance in their study of public participation and financial management problems by the County Governments. The survey results show an average mean score of 3.41 across all statements related to citizen involvement in County governance. The highest mean score of 4.40 pertains to the recording of citizen views, demonstrating a strong consensus on the value and practice of systematically documenting citizen input. Conversely, the lowest mean score of 2.39 relates to the impact of disregarding citizen views on resource embezzlement, which reveals significant skepticism. This score indicates that respondents are doubtful about the consequences of ignoring citizen feedback, particularly regarding its effect on preventing or addressing resource mismanagement. As reflected by standard deviations values, a notable variation in opinions highlighting the differences in how respondents perceive the effectiveness and impact of citizen involvement on governance.

This finding corroborates the findings of Opiyo and Ngeno (2024), who conducted a study examining how public participation structures and processes influence the sustainability of government-funded projects in Alego-Usonga Sub-County. The study found a weak and insignificant positive relationship between public participation structures and the sustainability of government-funded projects. Conversely, it noted a weak but significant negative relationship between public participation processes and the sustainability of government-funded projects.

4.4.5 Descriptive Results for Legal Framework

The study required opinion from the respondents regarding the degree of agreement with the measurement items related to legal framework. The results were analyzed for percentages, mean and standard deviation. This section presents descriptive results of the moderating variable, legal framework.

Table 4.7: Descriptive Results for Legal Framework

	SA	A	N	D	SD	Mean	SD
Existence and Sufficiency	(%)	(%)	(%)	(%)	(%)		
ES1- The County's legislation governing public financial management has their roots in the appropriate regulations and the constitution.	24.6	35.2	32.8	2.5	4.9	3.72	0.67
ES2- There are explicit rules that define and support public finance management within the County Government.	32.8	31.1	19.7	9.0	7.4	3.73	0.62
ES3-The existing regulations are sufficient and there is no area in the County Government that is not governed by regulations.	27.9	36.1	23.0	5.7	7.4	3.71	0.77
Average Mean Score	28.4	34.1	25.2	5.7	6.6	3.7	0.7
Implementation and Compliance							
COI1- The County Government complies with public finance regulation laws.	37.7	33.6	19.7	6.6	2.5	4.00	0.97
COI3-Legal framework provides for adequate reprisal to individuals who fail to adhere to the set regulations.	17.2	33.6	27.0	16.4	5.7	3.40	0.96
Average Mean Score	29.5	33.6	21.9	9.3	5.7	3.7	0.96
Effectiveness and Impact							
EI1-Legal framework has minimized wastages, misapplication and embezzlement of public resources.	35.2	38.5	19.7	2.5	4.1	4.00	0.93
EI2-The legal framework has aided in ensuring an increase in the County Government's equitable share of revenue from the national government.	24.6	26.2	27.9	10.7	10.7	3.43	0.98

EI3-The regulations have limited the County Government's access to debt through the setting of the County debt ceiling.	21.3	32.0	26.2	9.8	10.7	3.43	1.10
EI4-The County Governments' management is motivated to report positive performance, driven by concerns about the potential repercussions of disclosing poor performance.	29.5	37.7	24.6	5.7	2.5	3.86	1.13
I5-Legal framework affects County Government performance.	19.7	40.2	23.0	9.0	8.2	3.54	1.11
Average Mean Score	26.1	34.9	24.3	7.5	7.2	3.7	1.10

N=122

Source: Field Survey (2025)

A moderate number of respondents, 59.8 percent believe that Counties' laws have their roots in the constitution and other pertinent legislation. This response was associated with a mean score of 3.72. This mean score indicates that respondents view the alignment of the legislation with higher legal frameworks positively. There was a low level of variation amongst the respondents as evidenced by the low standard deviation of 0.67. This indicates relatively consistent opinions among respondents, though there remains a slight range in perceptions. Additionally, 63.9 percent feel that the rules that define and support public finance management within the County Governments are clear. This sentiment is supported by a mean score of 3.73, which reflects a positive perception of the clarity and support provided by these rules. The variation was low as supported by a standard deviation of 0.62.

This suggests a high level of consensus among respondents. It is an indication that while many recognize the existence of explicit rules, there are still some who are uncertain or skeptical about their effectiveness or completeness. Waiganjo (2019) notes that, though the Kenya 2010 Constitution give backbone to the legal framework on public participation, there is a lack of a robust system of legislation for making County Governments accountable for various FDI-funded projects. Furthermore, 64 percent of respondents believe that the existing regulations are comprehensive and that there are no areas within the County Governments left unregulated. This sentiment is supported by a mean score of 3.73, which reflects a positive perception of the clarity and support

provided by these rules. There was a low level of variation amongst the respondents and proven by a lower standard deviation of 0.62. This advocates a high level of consensus though it further indicates that while many recognize the existence of explicit rules, there are still some who are uncertain or skeptical about their effectiveness or completeness.

The overall mean score was 3.72 indicates a general tendency towards agreement to the existence and sufficiency of legal rules and regulations. Ndalila (2016) noted inadequacy of PFM Act in addressing Counties day-to-day activities and in addition to, the County staff have been well acquainted with adequate knowledge on public finance management laws. The study further sought respondents' view regarding compliance with the established public finance regulation laws. A significant portion, 71.83 percent of respondents held a strong level of agreement. The mean score of 4.00 was high, demonstrating a high agreement. This response was associated with a moderate standard deviation of 0.97 reflecting a moderate level of variation amongst the respondents. The data reveals that 73.7 percent of respondents believe the legal framework has effectively minimized wastage, misapplication, and embezzlement of public resources. The reaction to this statement was accompanied by a mean score of 4.00 and a standard deviation of 0.93. In contrast, a mean score of 3.43 with a standard deviation of 0.98 indicates that only 50.8 percent of respondents believe the legal framework has significantly increased the County Government's equitable share of funds from the federal government.

Despite the presence of a legal framework, Musiega *et. al.*, (2023) reported issues such as non-merit-based recruitment, poor-quality goods, embezzlement or misapplication of public funds and property in Counties, which have adversely affected service delivery. The regulations have limited the County Government's access to debt through the setting of a county debt ceiling. This was confirmed by a moderate 53.3 percent of the respondents. This was associated with a mean score of 3.43. There was a slightly high variation in the level of agreement amongst the respondents as evidenced by a standard deviation of 1.10. This indicates moderate agreement with the effectiveness of debt ceiling regulations, accompanied by notable variability in opinions. Further, a moderate portion of the respondents, that is, 67.2 percent, believe that the County Governments' management are motivated to report positive performance due to

concerns about the repercussions of revealing poor performance, with a mean score of 3.86 associated with a moderate level of variation amongst the respondents as demonstrated by a measure of variation of 1.13.

This suggests a generally positive view of the motivation behind performance reporting, though opinions vary significantly. Ndalila (2016) additionally highlighted that the PFM Act imposes strict borrowing conditions on Counties. These conditions include borrowing solely for development purposes, obtaining approval from the County assemblies, and securing a guarantee from the national government. Further, a moderate 59.9 percent of the respondents had view that the legal framework impacts the performance, a mean score of 3.54 and a standard deviation of 1.11. The average mean score across all statements is 3.65, which reflects a generally positive view of the legal framework's role in improving County governance and financial management. The standard deviation was 1.05, indicating that though there was agreement to the various sentiments, some of the respondents were skeptical.

The study's conclusions align with those of Vianney *et. al.*, (2020), who examined the ways in which board leadership practices and Rwandan public institutions corporate governance performance in are influenced by the legal framework. Their analysis demonstrated that legal frameworks successfully controlled board composition and ethical practices, with a positive and strong linear relationship. In a similar vein, Karama (2020) discovered that the correlation between strategic planning and decentralized performance was positively and considerably modulated by the legislative framework. The study did reveal, however, that regulatory framework does not moderate the impact of devolution of service delivery and stakeholder participation was not moderated by the legislative framework.

4.4.6 Descriptive Results for Performance of County Government

The study required opinion from the respondents regarding the degree of agreement with the measurement items related to performance of the County Government. The results were analyzed for percentages, mean and standard deviation. This section presents descriptive results for the study dependent variable, performance of County Governments.

Table 4.8: Descriptive Results for Performance of County Government

	SA	A	N	D	SD	Mean	SD
Operating Surplus/Deficit	(%)	(%)	(%)	(%)	(%)		
OSD1-The County has been able to raise sufficient revenue to meet its operation needs.	9.8	21.3	14.8	36.1	18.0	2.79	1.27
OSD2-The County has managed costs related to revenue collection.	8.2	37.7	24.6	26.2	3.3	3.21	1.03
OSD3-The County Government has reported growth in revenue collection in the last five years.	19.7	49.2	14.8	13.1	3.3	3.69	1.04
OSD4-There is budgetary deficit in County Government.	24.6	42.6	24.6	8.2	0.0	3.83	0.89
OSD5-The budgetary deficit has been reduced in the last five years	13	42.6	21.2	3.4	19.8	3.75	0.85
OSD6-The County has borrowed funds to meet the funding gap.	8.2	29.5	23.0	31.1	8.2	3.00	1.13
Average Mean Score	13.9	37.2	20.5	19.7	8.8	3.4	1.0
Budget Absorption Rate							
BOR1-The County spends funds as allocated and cannot be diverted to any other project/program even if an opportunity present itself.	13.1	32.8	14.8	29.5	9.8	3.10	1.24
BOR2-All revenue collected has been put into various projects/programs and there are no unexpended resources.	14.8	39.3	9.8	29.5	6.6	3.26	1.22
BOR3-There are efforts by the County to ensure budgetary allocation are utilized	18.0	59.0	13.1	9.8	0.0	3.85	0.83
BOR4-There is satisfaction with the residence in the way public resources are being spent.	6.6	18.0	26.2	31.1	18.0	2.64	1.16
BOR5- County Government resources are effectively utilized for developmental projects.	8.2	32.8	9.8	41.0	8.2	2.92	1.18
Average Mean Score	12.1	36.4	14.7	28.2	8.5	3.2	1.1
Compliance to Pre-Set Expenditure Limit							
CEL1- Spending on development accounts for thirty percent of total spending.	16.4	39.3	23.0	18.0	3.3	3.48	1.07

CEL2- The percentage of the County Government's total revenue that goes toward paying wages is not more than 35 percent.	3.3	19.7	19.7	44.3	13.1	2.56	1.05
CEL4- The County Government does not use its borrowings for recurrent expenses; rather, they are exclusively used to finance development-related expenses.	11.5	24.6	32.8	21.3	9.8	3.07	1.15
CEL5- The amount of debt held by the County is kept to a maximum of fifteen percent of its overall revenue.	6.6	31.1	32.8	24.6	4.9	3.10	1.01
Average Mean Score	10.2	28.8	24.6	28.5	7.9	3.1	1.1
Pending Bills							
PB1-The pending bills in the County Government have been on an upward trajectory in the last five years.	7.4	15.6	20.5	42.6	13.9	2.60	0.95
PB2-There are long-paid suppliers in the County Government	17.2	50.8	13.9	18.0	0.0	3.67	0.80
PB3-There are delays in County loan repayments	19.7	67.2	4.1	9.0	0.0	3.98	1.22
PB4-The County has been issued with demand notices by the lenders.	7.4	27.9	16.4	36.1	12.3	2.82	0.83
PB5-In the last five years, the County Government has been increasingly improving performance.	13.9	27.9	30.3	21.3	6.6	3.21	1.16
PB6-The reforms in public finance management have led to improved level of performance in the County Government.	42.6	54.9	1.6	0.8	0.0	4.39	1.18
Average Mean Score	18.0	40.7	14.5	21.3	5.5	3.5	1.0

N=122

Source: Field Survey (2025)

Evaluation of the County's financial management practices relating to operating surplus/deficit received varied perspectives among respondents. Regarding the Counties' ability to raise sufficient revenue to meet their operational needs, only 31.1 percent with a mean of 2.79 of respondents agreed indicating a general disagreement amongst the respondents with high variation as indicated by a standard deviation of

1.27. This finding agrees with the findings by Tsumba's (2020) findings that Counties have consistently faced budget deficits because and heavily depends on allocations from the national government, which are insufficient to cover their financial needs. In terms of management costs associated with revenue collection, 45.9 percent of respondents agreed with a mean of 3.21 indicated moderate agreement. The standard deviation was 1.03, indicating relative consistency in opinions on the impact of management of cost of revenue collection. A more positive note comes from 68.9 percent of respondents, who observed that the Counties experience growth in revenue collection. The data reveals a higher mean of 3.69, coupled with a measure of variation of 1.04 indicating consensus among respondents regarding the favorable trend in collection of revenue.

A moderate 67.2 percent of the respondents with a mean of 3.83 recognized a budgetary deficit in the Counties. This reflects a general agreement with low variation as evident by standard deviation of 0.89 indicates a strong consensus about the presence of the deficit. Regarding the reduction of the deficit over the past five years, 55.6 percent of respondents agreed, resulting in an average mean of 3.75 and standard deviation of 0.85. Tsumba (2020) noted that the low level of revenue collection in the County Governments has necessitated an increase in borrowings to meet the Counties' budgetary deficits. When considering whether the County has opted to borrowing to address funding gaps, only 37.7 percent of respondents with a mean of 3.00 agreed suggesting neutral position amongst the respondents. The standard deviation was 1.13 which indicates some variation in responses to the extent to which borrowings have been utilized to bridge funding shortfalls. The overall mean of 3.38, and a standard deviation of 1.04, indicates a moderate level of consensus among respondents concerning the Counties' level of operating surpluses and/or deficits.

This suggests general agreement with the statements about the County's handling of financial surpluses and deficits. However, the observed variability in responses reflects diverse experiences and opinions, pointing to differences in how individuals perceive the effectiveness and challenges associated with managing the County's financial resources. The analysis of respondents' views on the County's budgetary practices revealed diverse opinions. On absorption of the County budget, a moderate number, 45.9 percent of the respondents with a mean of 3.10, indicated that the Counties strictly

adhere to the allocated budgets without diverting funds to other projects. There was a fluctuation in the level of reactions as signaled by the standard deviation of 1.24. Additionally, 54.1 percent of respondents reported that all collected revenues are utilized for various projects and programs, with no unexpended resources, supported by a mean of 3.26 suggesting a moderate level of confidence in the utilization of collected revenue. The standard deviation was 1.22, highlighting differing opinions on the completeness of revenue expenditure. Moreover, 77.0 percent observed that the Counties are actively working to ensure that budgetary allocations are utilized effectively, which is reflected in a higher mean score of 3.85 reflecting consensus among the respondents. There was an insignificant variation in the level agreement as demonstrated by the standard deviation of 0.83. The findings corroborate with those of Moindi, Omoro and Kinyua (2023) who examined how budget utilization affects the performance of County Governments in Nyanza Region.

The study discovered that increased development budget absorption positively and significantly affects performance. The authors further noted that the allocations to the development budget affected County revenue performance and recommended enhancement of own-source revenue collections. Contrastingly, 24.6 percent of respondents with the mean of 2.64 expressed satisfaction with the way public resources are spent. The standard deviation was 1.16, indicating varying levels of dissatisfaction with the expenditure of public resources. Similarly, the effectiveness of County Governments resources in development projects received mixed reviews with 41.0 percent of respondents and a mean of 2.92 disagreeing. The standard deviation of 1.18 shows considerable variation in thoughts regarding the helpfulness of resources used for development projects. However, Luvisi and Ondiek (2021) did not establish any correlation between allocation of resources and rate of budgetary absorption in Western Counties and argued that absorption rate does not necessarily imply performance.

The overall average mean score of 3.15, accompanied by a measure of variation of 1.13, designates a moderate level of consensus regarding the statements on the rate of budget absorption by the Counties with noticeable variation in opinions. Regarding whether spending on development constitutes thirty percent of total spending, 55.7 percent of respondents with a mean 3.48 agreed. Standard deviation was 1.07 indicates moderate variability in responses and reflects some differences in perceptions on development

spending. Mose, Kibet and Kiprop (2019) noted that capital expenditure is very insignificant as recurrent expenditure has overtaken development expenditure in most of the Counties. On the proportion of total revenue allocated to wages not exceeding the set limit of 35 percent, an insignificant 23 percent of respondents agreed with a mean 2.56 with a standard deviation of 1.05.

This indicates general disagreement though there were some variations in opinions amongst the respondents. Furthermore, 36.1 percent contend that the borrowings are specifically used for financing development expenditure rather than recurrent costs. The mean score of 3.07 reflects moderate agreement, with a standard deviation of 1.15 showing some variability in responses about the usage of borrowed funds. Only 23.0 percent of the responses confirmed that there was an upward trajectory of County pending bills. The mean score was 2.60, which reflects some disagreement towards pending bills. The standard deviation was 0.95, which indicates fluctuation in thoughts, but largely, there was a tendency to disagree with the notion of worsening pending bills. In contrast, a significant 68.0 percent of the respondents confirmed the existence of long-standing unpaid County suppliers with a mean of 3.67, which indicates a strong perception that unpaid suppliers are a major concern.

The low standard deviation of 0.80 suggests that respondents have a consistent view on the prevalence of this issue. Ndunda (2024), observed that Counties struggle to meet their financial obligations, including paying salaries and settling debts with contractors and suppliers. Consequently, they are compelled to operate with debts that accrue high interest rates. There was a strong consensus amongst the respondents that the County Governments face delays in loan repayments, with a significant 67.2 percent of the respondents with a mean of 3.98 agreeing to the statement. This reflects a significant level of concern about the timeliness of loan repayments. The associated standard deviation was 1.22 which indicates a noteworthy variation in responses. Ndunda (2024) contends that when County Governments are financially stable, they are better positioned to fund development projects, enhance service delivery, and meet financial obligations punctually. However, despite the concerns in debt management practices, there was a general agreement that Counties have not been served with demand notices by the suppliers and lenders with only 35.3 percent of respondents confirming being served with demand notices.

This position was supported by a lower mean score of 2.82, indicating that while demand notices are issued, they are not widespread. Respondents held moderate agreement that the Counties' performance has improved over the past five years, with 41.8 percent with a mean of 3.21 agreeing. The standard deviation was 1.16, which shows a modest level of fluctuation in thoughts. Most notably, 97.5 percent agreed that reforms in public finance management have steered to a considerable improvement in the County Governments' performance, with mean of 4.39. This indicates that reforms have had a substantial positive impact. The standard deviation was 1.18, which indicates that there is substantial consensus among respondents about the effectiveness of the public finance management reforms. The average results reveal a mixed perception regarding the Counties' management of outstanding bills. While there are significant concerns about issues such as unpaid suppliers and delays in loan repayments, respondents also acknowledge the positive impact of reforms. Rugut *et al.*, (2019) established a substantial connection linking reforms adopted in financial reporting with the performance Counties.

The mean was 3.45, which suggests that respondents maintain a balanced perspective, recognizing both the challenges and improvements in financial management. There was moderate fluctuation, as revealed by a standard deviation of 1.02, reflecting a diverse range of opinions. Although there is a general trend towards a neutral to slightly positive view, responses vary significantly some may view financial management in the Counties as problematic, while others may perceive it more positively. This variability underscores the different experiences and perspectives among respondents regarding the Counties' financial situation.

4.5 Data Diagnostic Test Prior to Structural Equation Modelling

Diagnostic tests were performed to ensure linear regression assumptions are fulfilled to aid in making valid conclusions are drawn regarding a population based on a sample.

4.5.1 Multicollinearity Test

Multicollinearity test assesses the strength of correlation between predictor variables and assumes the absence of multicollinearity (Schober *et al.*, 2018). The study used Variable Inflation Factor (VIF) to assess multicollinearity of variables. VIF values start at 1 and are without maximum value. In interpretation according to Giacalone *et al.*, (2018), a value of 1 indicates the absence of multicollinearity, values between 1 and 5

indicate a moderate correlation while values of higher than 5 suggest severe multicollinearity requiring attention during interpretation.

Table 4.9: Multicollinearity Test

Model	Tolerance	VIF
1 (Constant)		
Resource Mobilization Reforms (RMR)	.516	1.940
Resource Allocation Reforms (RAR)	.371	2.028
Audit Reforms (AR)	.622	1.607
Public Participation Reforms (PPR)	.748	1.338
Legal Framework (LF)	.974	1.027

a. Dependent Variable: Performance of County Governments (PER)

Source: Field Survey (2025)

As shown in Table 4.9, the variables resource mobilization reforms, audit reforms, public participation reforms and legal framework had VIF values less than 2, indicating the absence of multicollinearity. Resource mobilization reforms on the other had VIF value of 2.03. This value suggests moderate multicollinearity, though it is not severe to make standard errors of the beta coefficient increase (Giacalone *et. al.*, 2018).

4.5.2 Common Method Bias

This study assessed whether common variance bias was present in responses. This type of bias occurs when respondents fill out data collection tools carelessly, ignoring the questions can bias estimates of the reliability and validity of a latent variable (Podsakoff, Podsakoff, Williams, Huang & Yang, 2024). A Common Method Bias (CMB) test was performed to identify any systematic response bias in the dataset. The results are shown in Table 4.10.

Table 4.10: Common Method Bias

			Estimate	S.E.	C.R.	P
RMR3	<---	Resource_Mobilisation	1.000			
RMR2	<---	Resource_Mobilisation	.132	.046	2.830	.005
RMR1	<---	Resource_Mobilisation	.231	.052	4.437	***
RAR3	<---	Resource_Allocation	1.000			
RAR2	<---	Resource_Allocation	.765	.046	16.663	***
RAR1	<---	Resource_Allocation	.709	.061	11.569	***
AR3	<---	Audit_Reforms	1.000			
AR2	<---	Audit_Reforms	1.071	.022	47.668	***
PPR3	<---	Public_Participation	1.000			
PPR1	<---	Public_Participation	.553	.063	8.818	***
LF3	<---	Legal_Framework	1.000			
LF1	<---	Legal_Framework	.518	.100	5.177	***
PER3	<---	County_Performance	1.000			
PER2	<---	County_Performance	.948	.085	11.120	***
PER1	<---	County_Performance	.961	.077	12.503	***
RMR1	<---	CMB	.284	.040	7.106	***
RMR2	<---	CMB	.284	.040	7.106	***
RMR3	<---	CMB	.284	.040	7.106	***
RAR1	<---	CMB	.284	.040	7.106	***
RAR2	<---	CMB	.284	.040	7.106	***
RAR3	<---	CMB	.284	.040	7.106	***
AR2	<---	CMB	.284	.040	7.106	***
AR3	<---	CMB	.284	.040	7.106	***
PPR1	<---	CMB	.284	.040	7.106	***
PPR3	<---	CMB	.284	.040	7.106	***
LF1	<---	CMB	.284	.040	7.106	***
LF3	<---	CMB	.284	.040	7.106	***
PER1	<---	CMB	.284	.040	7.106	***
PER2	<---	CMB	.284	.040	7.106	***
PER3	<---	CMB	.284	.040	7.106	***

Source: Field Survey (2025)

Fig 4.1 presents a visual representation of results of the Common Method Bias (CMB) test, which was conducted to evaluate the potential presence of systematic response bias in the dataset. Addressing CMB is essential for ensuring the reliability of the findings, as it can lead to distorted response patterns (Podsakoff *et al.*, 2024). This figure provides insights into the extent of any biases and their possible impact on results.

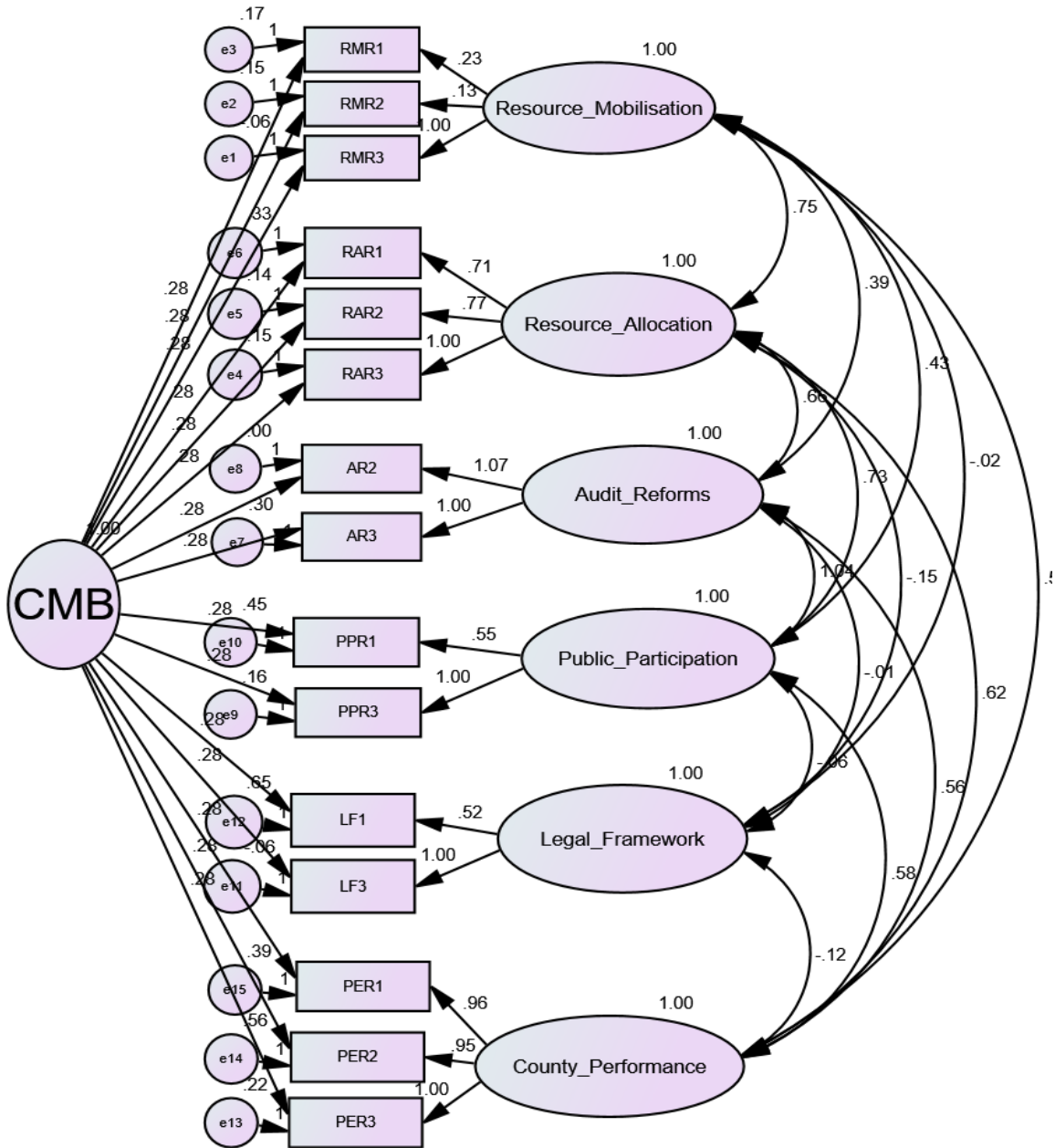


Figure 4.1: Common Method Bias

Source: Field Survey (2025)

Figure 4.1 presents the Common Method Bias results. CMB is regarded as problematic when it represents over 20 percent of the variance in the dataset (Bagozzi & Yi, 2012). The CMB was 0.284 which translates to 8.06 percent (that is 0.284^2), indicating that CMB was 8.06%. This indicates that the recommended level was met, implying that no systemic response bias existed. Despite the introduction of the CMB factor, the main structural paths still appear significant at 95% level of confidence. This stability indicates that the relationships between latent constructs are not overly biased by the method effect

4.6 Factor Analysis

Factor analysis is a statistical technique that uncovers the hidden connections between variables by categorizing them into different factors. The primary goal of factor analysis is to streamline data by condensing many variables into a fewer set of factors that effectively represent most of the data's variability. Additionally, it seeks to identify latent or unseen variables that influence the observed variables and to analyze how these variables are interconnected and can be organized into factors that represent underlying constructs (Guadagnoli & Velicer, 1988). There are two primary types of factor analysis, that is the Exploratory Factor Analysis (EFA), which aims to discover the relationships among variables without a pre-existing model, and the Confirmatory Factor Analysis (CFA), which evaluates whether the data fits a specified factor model (Labrin & Urdinez, 2020).

Past researchers who adopted factor analysis in their research include Gour, Maurya, Koutu, Singh, Shukla and Mishra (2017) who employed this method in characterization of rice genotypes. The method was crucial in examining variation and approximating the relative contributions of diverse traits to general variability. Similarly, Mingione (2011) used PCA to forecast financial vulnerability indices in Jamaica. Additionally, Qu and Li (2021) applied principal component analysis on data from the central bank of China to derive four measures of bank's effectiveness in financial intermediation.

4.6.1 Exploratory Factor Analysis

According to Yang (2005), EFA is a scientific approach adopted to validate the development of factors. It aims to extract a small number of factors from multiple variables, identifying components or factors among the observable variables. It involves analyzing several observable variables to reveal underlying factors. PCA, communalities, and a factor loadings matrix were employed. Factor analysis was necessary because the research instrument contained numerous sets of questions. Conducting EFA was crucial to establish which measurement items within each variable shared similar variance and effectively measured the corresponding variables. This analysis was aimed at retaining measurement items that correlate well and could help explain observed variance in the variables.

On the other hand, communalities were employed to determine which items should be retained or discarded. Items with communalities below 0.5 were considered for

removal, as this indicates they do not sufficiently correlate with other items since communality limit is set at 0.5 as recommended by Passat (2010). Any item falling below this threshold was excluded. The communalities of all retained measurement items are included in the Appendix (VII). Some of the study which adopted this approach include Soewin and Chinda (2018) who hypothesized nine key factors while performing a study on factors affecting construction performance. The EFA approach uncovered ten factors affecting construction performance which were then applied in developing multi-dimensional performance evaluation framework. Further, Mosly (2022) adopted EFA analysis for dimension reduction to the thirty-seven hypothesized factors into ten distinct components influencing safety performance in Saudi Arabia's construction industry.

4.6.1.1 Sample Adequacy for Study Variables

The KMO value as described by Kaiser and Meyer-Olkin (2017), assesses whether a sample supports the performance of factor analysis. This value runs between 0 and 1, any value that is nearer 1 suggests that correlations are robust enough to justify performing factor analysis, and values exceeding 0.6 suggests sample is adequate for factor analysis. As noted by Shrestha (2021), Bartlett's Test of Sphericity assesses whether the correlation matrix is an identity matrix. If it is an identity matrix, it suggests that the variables are uncorrelated, making them unsuitable for factor analysis. A significant result, $p < 0.05$), implies that there are correlations among the variables, hence factor analysis considered appropriate.

All the study independent and moderating variables were measured using three indicators whereas the dependent variable was measured using four indicators. Resource mobilization reforms (RMR) measured using County revenue sources, revenue collection efficiency and revenue administration. Resource allocation reforms (RAR) measured using budget planning, budgetary control and equitable resource allocation. Audit reforms (AR) measured using County assemblies' oversight, independent audits and audit committees. Public participation reforms (PPR) measured using citizen level of participation, citizen empowerment and citizen influence. The legal framework (LF) was measured using existence and sufficiency, compliance and implementation and effectiveness and impact and lastly the performance of County Governments was measured using operating surplus/deficit, budget absorption,

compliance to expenditure limits and level of pending bills. Consequently, conducting factor analysis was crucial to establishing the most suitable measures.

Table 4.11: KMO and Bartlett's Test the Study Variables

		RMR	RAR	AR	PPR	LR	PER
KMO Measure of Sampling Adequacy		.643	.748	.651	.605	.600	.777
Bartlett's Sphericity Test	Approx. Chi-square	165.18	240.48	134.48	88.52	75.37	165.85
	Df	3	3	3	3	3	4
	Sig.	.000	.000	.000	.000	.000	.000

Source: Field Survey (2025)

As presented in Table 4.11, KMO value for all study variables were above 0.6, that is, Resource mobilization reforms = 0.643, Resource allocation reforms = 0.748, Audit reforms = 0.651, Public participation reforms = 0.605, Legal framework = 0.600 and Performance of County Governments = 0.777. This therefore suggests that samples were adequate for factor analysis. The chi-square values had p-value less than 0.05 hence significant indicating that factor analysis was appropriate for all sets of variables as there are significant correlations among the variables.

4.6.1.2 Total Variance and Scree Plot for Resource Mobilization Reforms

The total variance explained represents the fraction of the variability in the observed variables that can be accounted for by the underlying factors. Table 4.12 demonstrates that one component accounted for 74.261 percent of the overall variability in the three indicators, which is the total variance explained for resource mobilization reforms.

Table 4.12: Variance Summary for Resource Mobilization Reforms

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.228	74.261	74.261	2.228	74.261	74.261
2	.578	19.265	93.527			
3	.194	6.473	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

A scree plot is a visual tool adopted during performance of PCA analysis to assist in deciding how many principal components are to be retained. A Scree plot graphically

displays the eigenvalues of each component arranged from highest to lowest (Gour, *et. al.*, 2017). This section presents a scree plot for resource mobilization reforms.

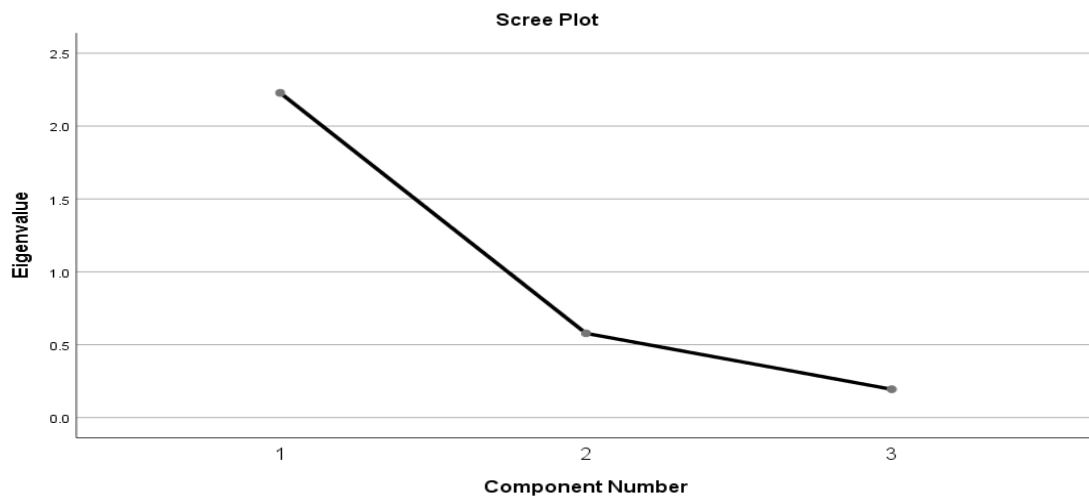


Figure 4.2: Scree Plot for Resource Mobilization Reforms
Source: Field Survey (2025)

PCA was conducted to reveal the dataset's underlying structure. The analysis revealed that component 1, which had an eigenvalue of 2.228, explained 74.261 percent of the total variation, signifying that it represents a substantial portion of the dataset's variability. The second component, with an eigenvalue of 0.578, accounts for an additional 19.265 percent of the variance, resulting in a total explained variance of 93.527 percent. The third component, which has an eigenvalue of 0.194, adds a further 6.473 percent, resulting in a total explained variance of 100 percent when all three components are considered. These findings indicate that the first components with eigenvalue greater than 1 are particularly significant, as it accounts for 74.261 percent of the variance hence justifying its retention as argued by Patil, Singh, Mishra and Donavan (2008). Further, the observation from the Scree plot confirms the component's Eigenvalue was greater than 1 and is in conformity with the total variance explained results for resource mobilization reforms.

4.6.1.3 Total Variance and Scree Plot for Resource Allocation Reforms

The result demonstrates that one component accounted for 84.471 percent of the overall variability in the three indicators, which is the total variance explained for resource allocation reforms.

Table 4.13: Variance Summary for Resource Allocation Reforms

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.534	84.471	84.471	2.534	84.471	84.471
2	.275	9.181	93.652			
3	.190	6.348	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

A scree plot for resource allocation reforms displaying the eigenvalues of each component in descending order is presented in Figure 4.3.

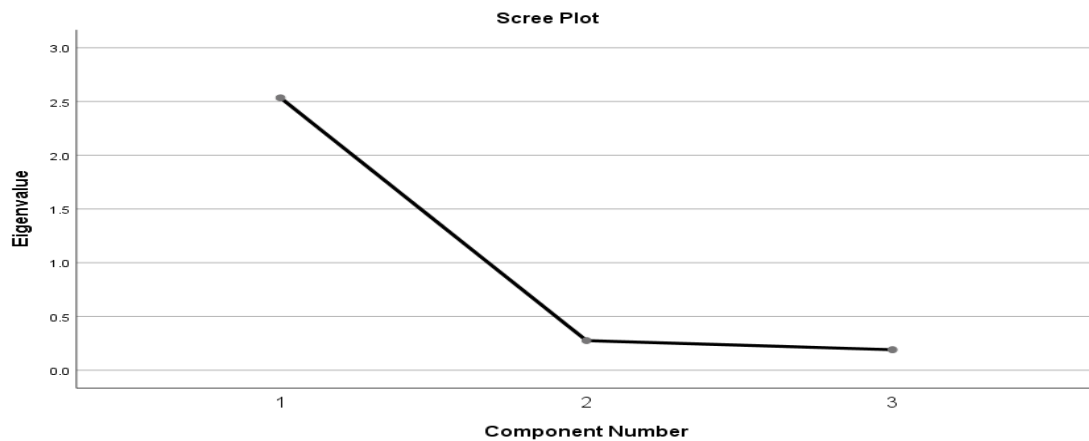


Figure 4.3: Scree Plot for Resource Allocation Reforms

Source: Field Survey (2025)

PCA was conducted to explain the underlying structure of the dataset. The analysis identified three principal components with the following attributes: The first component, with an eigenvalue of 2.534, explained 84.471 percent of the total variance, indicating it captures most of the variability within the data. Together with the first component, these two components explain a cumulative 93.652 percent of the variation. The third component, which had an eigenvalue of 0.190, contributed the remaining 6.348 percent, bringing the total variance explained to 100 percent when all three components are considered. These results underscore the dominance of the first component having eigenvalue greater than and accounting for the 84.47 percent of the dataset's variability hence justifying its retention as argued by Rojas-Valverde *et. al.*, (2020). Further, the observation from the Scree plot confirms the component's

Eigenvalue was greater than 1 and is in conformity with the total variance explained results for resource allocation reforms.

4.6.1.4 Total Variance and Scree Plot for Audit Reforms

The result demonstrates that one component accounted for 71.678 percent of the overall variability in the three indicators, which is the total variance explained for audit reforms.

Table 4.14: Variance Summary for Audit Reforms

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.150	71.678	71.678	2.150	71.678	71.678
2	.598	19.937	91.615			
3	.252	8.385	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

A scree plot for audit reforms displaying the eigenvalues of each component in descending order is presented in Figure 4.4.

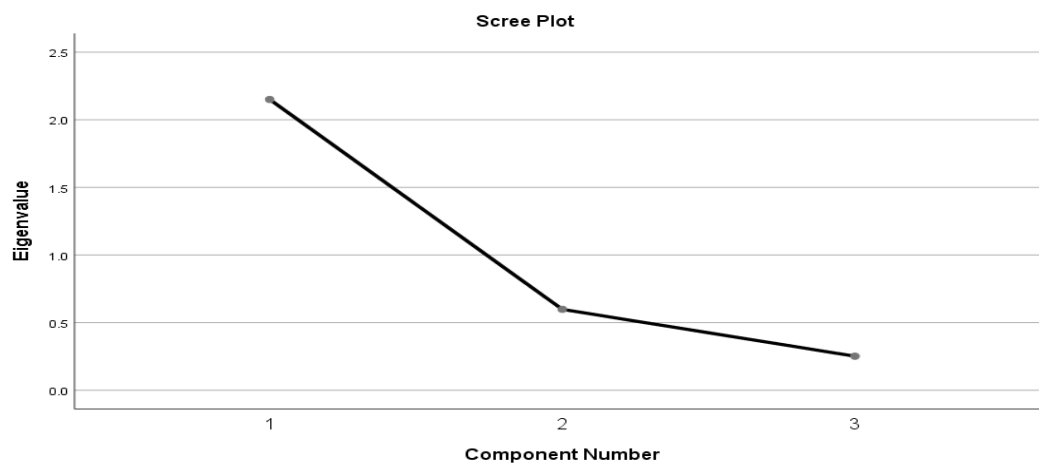


Figure 4.4: Scree Plot for Audit Reforms

Source: Field Survey (2025)

PCA was used to investigate the main components of the dataset. The analysis revealed three principal components, with the first component having an eigenvalue of 2.150 and explaining 71.678 percent of the total variation, highlighting its significant role in capturing the variability. The second component, with an eigenvalue of 0.598, accounts

for 19.937 percent of the variance. Combined, these two components explain 91.615 percent of the total variance. The third component, with an eigenvalue of 0.252, contributes the remaining 8.385 percent, resulting in a total variance explanation of 100 percent when all three components are considered. These findings highlight that the first component with eigenvalue greater than 1 is the most significant, explaining over 70 percent of the variance hence justifying its retention as argued by Rojas-Valverde *et al.*, (2020). Additionally, the findings from the scree plot indicate that the component's eigenvalue is greater than 1, which aligns with the total variance explained results for audit reforms.

4.6.1.5 Total Variance and Scree Plot for Public Participation Reforms

The result demonstrates that one component accounted for 62.340 percent of the overall variability in the three indicators, which is the total variance explained for resource mobilization reforms.

Table 4.15: Variance Summary for Public Participation Reforms

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		Cumulative %
	Total	% of Variance	Cumulative %	Total	% of Variance	
1	1.870	62.340	62.340	1.870	62.340	62.340
2	.822	27.413	89.753			
3	.307	10.247	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

A scree plot for public participation reforms displaying the eigenvalues of each component in descending order is presented in Figure 4.5.

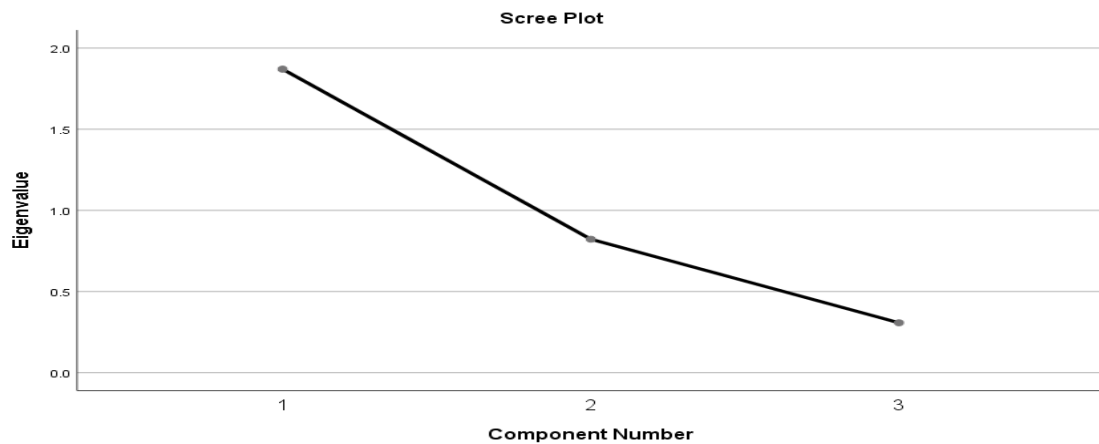


Figure 4.5: Scree Plot for Public Participation Reforms
Source: Field Survey (2025)

PCA was conducted to assess the key components of the dataset. The results identified three principal components. The first component, which had an eigenvalue of 1.870, explained 62.340 percent of the total variance, capturing a significant portion of the variability. The second component, with an eigenvalue of 0.822, accounts for an additional 27.413 percent of the variance, leading to a cumulative explained variance of 89.753 percent. The third component, with an eigenvalue of 0.307, contributes the remaining 10.247 percent leading to a total variance explanation of 100 percent when all three components are considered.

These results indicate that the first component with eigenvalue greater than 1 is the most influential, accounting for over 60 percent of the data's variance hence justifying its retention as argued by Rojas-Valverde *et al.*, (2020). Moreover, the results from the scree plot reveal that the component's eigenvalue exceeds 1, consistent with the total variance explained for public participation reforms.

4.6.1.6 Total Variance and Scree Plot for Legal Framework

Result demonstrates that one component accounted for 61.993 percent of the overall variability in the three indicators, which is the total variance explained for resource mobilization reforms. Figure 4.6 displays Scree plot findings confirming that this component's Eigenvalue was more than 1.

Table 4.16: Variance Summary for Legal Framework

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.860	61.993	61.993	1.860	61.993	61.993
2	.768	25.616	87.609			
3	.372	12.391	100.000			

Extraction Method: Principal Component Analysis.
Source: Field Survey (2025)

A scree plot for legal framework displaying the eigenvalues of each component in descending order is presented in Figure 4.6.

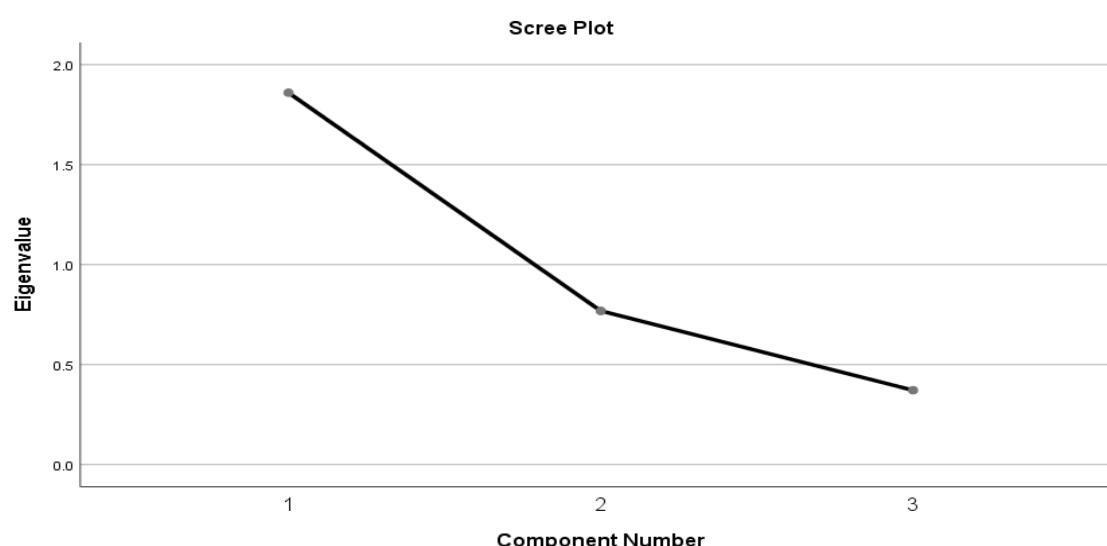


Figure 4.6: Scree Plot for Legal Framework
Source: Field Survey (2025)

PCA was conducted to uncover the primary components of the dataset. The analysis identified three key components: The first component, with an eigenvalue of 1.860, explained 61.993 percent of the total variance, indicating it captures most of the variability. The second component, having an eigenvalue of 0.768, accounts for 25.616 percent of the variance, resulting in a cumulative variance of 87.609 percent when combined with the first component. The third component, with an eigenvalue of 0.372, explains the remaining 12.391 percent, completing the total variance explanation at 100 percent when all three components are considered. These findings highlight the dominance of the first component with eigenvalue of greater than 1 and accounting for

61.99 percent the dataset’s variability hence justifying its retention as argued by Rojas-Valverde *et al.*, (2020). Furthermore, the results from the scree plot indicate that the component's eigenvalue is greater than 1, which aligns with the total variance explained for legal framework.

4.6.1.7 Total Variance and Scree Plot for Performance of County Governments

The total variance explained refers to the proportion of the variance in the observed variables that is reported by the underlying factors. Table 4.17 demonstrates that one component accounted for 64.809 percent of the overall variability in the three indicators, which is the total variance explained for resource mobilization reforms.

Table 4.17: Variance Summary for Performance of County Governments

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.592	64.809	64.809	2.592	64.809	64.809
2	.573	14.334	79.143			
3	.503	12.576	91.719			
4	.331	8.281	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

A scree plot for performance of County Governments displaying the eigenvalues of each component in descending order is presented in Figure 4.7.

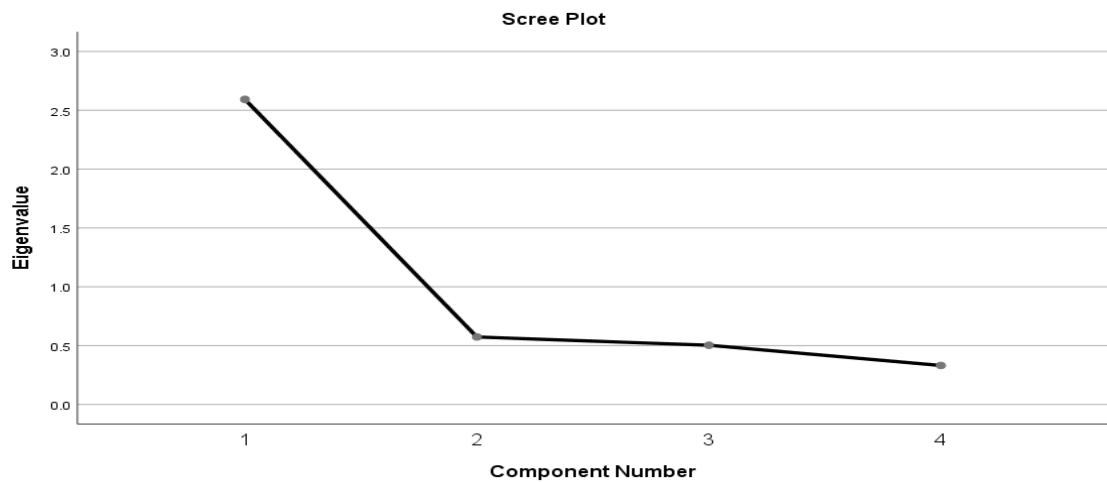


Figure 4.7: Scree Plot for Performance of County Governments

Source: Field Survey (2025)

PCA was carried out to reveal the underlying structure of the dataset. The analysis identified four principal components: The first component, with an eigenvalue of 2.592, explained 64.809 percent of the total variance, representing a significant portion of the variation. The second component, which has an eigenvalue of 0.573, accounts for an additional 14.334 percent of the variance. The third component contributes 12.576 percent of the variance with an eigenvalue of 0.503 whereas the fourth component, with an eigenvalue of 0.331, accounts for the remaining 8.281 percent. These results demonstrate that eigenvalue of the first component exceeded the threshold of 1 and was the most influential as it explained nearly 65 percent of the variance hence justifying its retention as argued by Rojas-Valverde *et al.*, (2020). Additionally, the findings from the scree plot show that the component's eigenvalue exceeded 1, which is in line with the total variance explained for the performance of County Governments.

4.6.2 Confirmatory Factor Analysis (CFA)

To assess whether the measurement items accurately represent the underlying latent construct, CFA analysis was utilized. CFA examines the factor structure of a group of observed variables to verify if these accurately reflect the hypothesized number of latent variables and how these variables are related to each other (Brown & Moore, 2012). Previous research that employed CFA approach includes the research conducted by Baistaman, Awang, Afthanorhan and Rahim (2020), which sought to develop and validate a measurement model for the financial literacy construct. Akomah and Ramani (2024) also adopted CFA approach to examine the reliability of the dimensions influencing the performance of construction projects in Ghana.

According to Shrestha (2021), factor loadings for each hypothesized measurement item within a construct should exceed 0.5 to be deemed suitable for structural model extraction. The CFA results revealed that the retained indicators had factor loadings greater than 0.5, indicating they adequately measured their respective latent variables. Measurement items that had significant contribution to the latent variables were retained for structural equation modeling.

Table 4.18: Regression Weights for the Measurement Model

Indicator variable	Construct	Estimate	P Value
RAR3	<--- Resource_Allocation	.978	***
RAR2	<--- Resource_Allocation	.944	***
RAR1	<--- Resource_Allocation	.862	***
AR3	<--- Audit_Reforms	.819	***
AR2	<--- Audit_Reforms	.999	***
PPR3	<--- Public_Participation	.950	***
PPR1	<--- Public_Participation	.798	***
PER3	<--- County_Performance	.868	***
PER1	<--- County_Performance	.858	***
RMR2	<--- Resource_Mobilization	.898	***
RMR3	<--- Resource_Mobilization	.923	***
RMR1	<--- Resource_Mobilization	.849	***
PER2	<--- County_Performance	.781	***
LF3	<--- Legal_Framework	.539	***
LF1	<--- Legal_Framework	1.043	***

Source: Field Survey (2025)

The retained indicators reliably measured the latent variables as evidenced by high estimate factor loading greater than 0.5 and that regression weights for all estimates were statistically significant ($p < 0.05$). This level of significance attests to a robust correlation between the latent variables and the observed indicators, thereby validating the effectiveness of the measurement model. Based on these results, all indicators with significant factor loadings were selected for further analysis using structural equation modeling to examine relationships and interdependencies among the constructs.

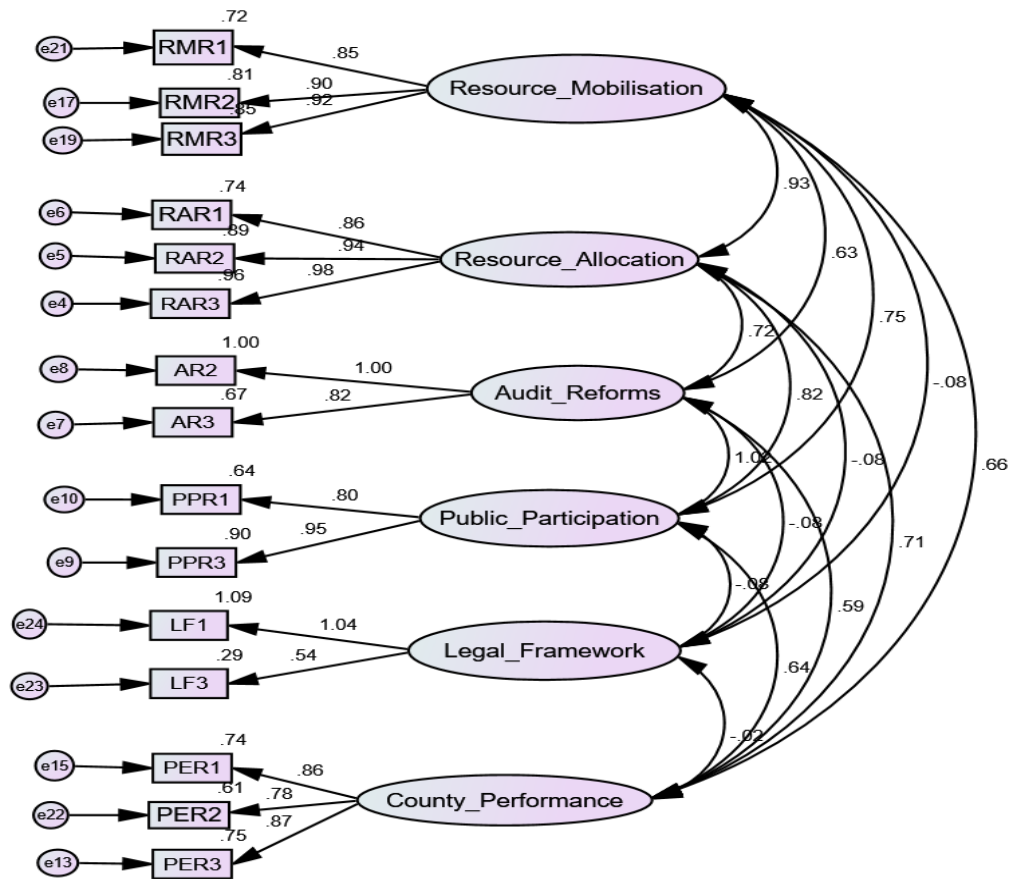


Figure 4.8: Confirmatory Factor Analysis Measurement Model
Source: Field Survey (2025)

As illustrated in Figure 4.8, indicators that significantly contributed to this study were retained for structural equation modeling. Each retained indicator had factor loadings exceeding the set threshold of 0.5.

4.7 Structural Equation Modelling and Hypotheses Testing

This section describes structural models for latent variables and uses structural equation modeling to assess the hypothesized relationships. To evaluate the contribution of each of the indicators to each component, this study applied regression weights helping to understand the nature of the relationship because all variables. The calculated t-values were compared against the critical $|t|$ -values of 1.96, which corresponds to the p-value of 0.05. Previous studies that have utilized the structural equation modeling method include a study by Oyewo, Altaany, Alo and Dube (2024), which aimed to identify the structural relationships between contextual factors influencing the adoption of production planning, accounting techniques, and organizational competitiveness. Further, Zweni, Yan and Uys (2022) employed structural equation modelling while

developing a budget management model aimed at enhancing public service in South African municipalities.

4.7.1 Effect of Resource Mobilization Reforms on County Performance

Prior to structural modelling, Exploratory Factor Analysis was carried out to evaluate whether the selected indicators had significant loading to the construct. The study retained eight measurement items of resource mobilization reforms that had factor loading of greater than 0.7.

Table 4.19: Factor Loadings for Resource Mobilization Reforms

Resource Mobilization Reforms Indicators	Loadings
Revenue Collection (RMR1)	
RC9-Revenue collection has a positive influence on the County's performance.	.879
County Revenue Sources (RMR2)	
CRS3-The County Government continuously reviews its revenue sources to identify new and emerging revenue sources.	.815
CRS2-Own-source revenue streams have been identified and operationalized.	.790
CRS5-CCounty has been successful in mobilizing resources from external sources such as grants and loans.	.790
CRS4-The County Government conducts cost-benefit analysis on potential revenue sources before adoption to ensure that the cost of collection does not surpass the revenue generated.	.741
Revenue Administration (RMR3)	
RA5-County Government has implemented a mechanism for measuring effectiveness of resource mobilization effort.	.734
RA1-There is an established system of revenue administration in County.	.728
RA3-On matters of revenue mobilization, the County Government has adequately trained its revenue collection employees.	.742

Source: Field Survey (2025)

Table 4.19 illustrates that factor loadings varied between 0.728 and 0.879 and hence demonstrates strong convergence as all values exceeded 0.7. As argued by Shrestha (2021), values exceeding 0.7 indicate perfect relationship to the factor pattern. Consequently, these measurement items were included in the structural equation modelling. The impact of each resource mobilization reforms indicators were evaluated using regression weights. The findings revealed that, associated with one-unit increase in resource mobilization reforms, there was 1 unit increase in RMR3 (Revenue administration) with the regression weight fixed at 1 and not estimated. This is fixed at

1 to act as a reference point to other indicators since latent variables could not be directly observed and so they need at least one indicator to have a fixed value. Similarly, associated with one unit increase in resource mobilization reforms, there was a 0.546 unit increase in RMR2 (revenue collection efficiency), accompanied by a calculated t-value of 5.524, which exceeded the $|t|$ value of 1.96, suggesting a significant relationship between County revenue sources and resource mobilization reforms.

This finding is consistent with those of Adu *et. al.*, (2020) in the assessment of sources of revenue and factors limiting the effectiveness of revenue collection in Ghana. The authors established that through identification and operationalization of revenue sources, institutions improve public revenue mobilization. Furthermore, the outcome of the analysis suggests that associated with a single unit rise in resource mobilization reforms, there was 0.674 units increase in RMR1 (revenue sources), with a calculated t-value of 5.683, which is exceeding critical $|t|$ -value of 1.96, indicating a significant association between revenue administration and resource mobilization reforms. At a 95 percent confidence level, the regression weights for the indicators of resource mobilization reforms demonstrated calculated t-values exceeding $|t|$ value of 1.96, indicating statistically significant associations between the indicators and resource mobilization reforms. This supports the convergent validity of the indicators and hence valid measures of the resource mobilization reforms.

The study sought to evaluate the null hypothesis that resource mobilization reforms do not have a statistically significant effect on the performance. The results indicated a statistically significant association between resource mobilization reforms and performance. Specifically, the analysis yielded a $\beta = 0.566$, t-value of 3.390 (greater than threshold of ± 1.96 and p-value was found to be below 0.05, confirming that the observed effect is statistically significant at the conventional level of significance. It can therefore be interpreted that a unit increase in resource mobilization reforms results in a 0.566 unit rise in performance. As a result, the null hypothesis, H_{01} , was not accepted in favor of alternate hypothesis concluding that resource mobilization reforms had a statistically significant effect on performance. These outcomes are consistent with those of Likoko, *et. al.*, (2022), increased resources contribute significantly to enhanced performance in schools and that effective mobilization of resources can lead to better educational achievements. This underscores the broader applicability of the positive

impact of resource mobilization, confirming that the relationship observed in this study is not only significant but also corroborated by previous research in a different context.

In a comparable study, Yussuf and Abdul (2022) explored the impact of public finance management techniques on financial performance of Mandera County Government. Their research demonstrated a significant unidirectional correlation of public finance management practices and their performance. Additionally, result also aligns with Mukhwaya, Ngala and Mungai (2023) who established a moderate effect of cashless reforms on revenue collection performance in Kakamega County and further aligns with Adu, *et.al.*, (2020) findings that revenue collection automation resulted in improved revenue performance in Ghana which was observed in increased rates collected overtaking fees and fines after automation of rates collection. This suggests that reforms in resource mobilization could simplify funding processes, allowing organizations to use their resources more efficiently and improve overall performance. Additionally, this alignment of resources with an organization's strategic goals can lead to better implementation of annual plans leading to significant improvements in performance. Thus, showcasing the relevance of the Resource-Based theory which argues that organizational level of performance is pegged to the resources endowed to it.

Table 4.20: Regression Weights and C.R Values

			Estimate	S.E.	C.R.	P
Performance	<---	R_M_R	.566	.167	3.390	***
RMR2	<---	R_M_R	.546	.099	5.524	***
RMR1	<---	R_M_R	.674	.119	5.683	***
PER2	<---	Performance	.920	.119	7.762	***
PER3	<---	Performance	.881	.105	8.376	***

*** p-value below 0.01

Source: Field Survey (2025)

Additionally, the intercepts for each observed variable indicate the expected value of that variable when the corresponding latent variable is zero. These intercepts are outlined in Table 4.20.

Table 4.21: Regression Intercepts for Resource Mobilization Reforms

	Estimate	S.E.	C.R.	P
RMR3	3.459	.080	43.027	***
RMR2	4.240	.047	90.831	***
RMR1	3.870	.049	78.675	***
PER1	2.951	.094	31.480	***
PER2	2.869	.098	29.158	***
PER3	2.902	.083	35.072	***

*** p-value below 0.01

Source: Field Survey (2025)

Table 4.21 displays the intercept estimates for each variable, offering insights into the baseline values of the constructs when all predictors are set to zero. The findings show that all intercepts were positive and significantly correlated with the dependent variable, as indicated by high critical values and low p-values. The path diagram in Fig 4.9 illustrates the hypothesized structural relationships between resource mobilization reforms and performance of County Governments.

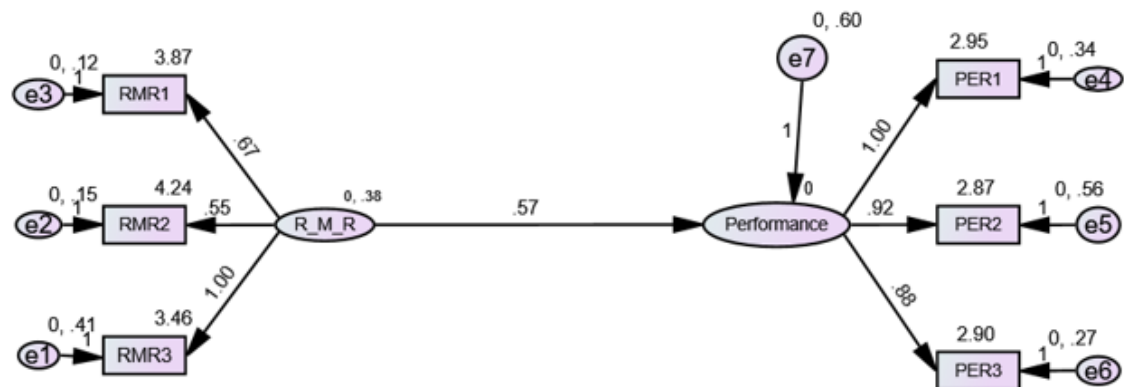


Figure 4.9: Path Coefficients for Resource Mobilization Reforms and Performance

Source: Field Survey (2025)

The following Structural Equation was fitted;

$$Y_i = \nu + \lambda + \beta + \varepsilon$$

Where;

ν = intercepts (ν nuv), value of the observed variable when the associated latent variable is zero

λ = coefficients (λ lambd) indicate the factor loadings, showing how strongly each observed variable is associated with latent variable.

β = regression coefficient (β beta β)

ε = error term accounts for the unexplained variance in the observed and latent.

Thus;

$$Y_i = 3.870 + 0.674 \lambda + 0.566 RMR1 + \varepsilon \dots\dots\dots (i)$$

$$Y_i = 4.240 + 0.546 \lambda + 0.566 RMR2 + \varepsilon \dots\dots\dots (ii)$$

$$Y_i = 3.459 + 1.000 \lambda + 0.566 RMR3 + \varepsilon \dots\dots\dots (iii)$$

Where;

Y_i = Observed variables of performance of County Government

RMR1 = County Revenue Sources

RMR2 = Revenue Collection

RMR3 = Revenue Administration

ε = Error term

4.7.2 Effect of Resource Allocation Reforms on County Performance

Exploratory Factor Analysis was carried out to establish whether the selected indicators had substantial loadings on the construct before using structural models. Therefore, the study retained nine measurement items of resource allocation reforms.

Table 4.22: Factor loadings for Resource Allocation Reforms Indicators

Resource Allocation Reforms Indicators	Loadings
Budget Planning (RAR1)	
BP6-Budget planning process is effective.	.787
BP3-Budgetary allocations are based on priorities in the County multi-annual development plan.	.744
Budgetary Control (RAR2)	
BC5-There are reports prepared and presented to management by the budgetary committee on budget performance.	.844
BC4-There is an established budget performance monitoring committee.	.840
BC1- Mechanism for budget implementation, monitoring and evaluation exist.	.768
BC7-The resource allocation has a direct influence on the performance	.753
Equitable Resource Allocation (RAR3)	
ERA3- Resources are timely disbursed to various departments in the County.	.877
ERA4-There are funds allocated to cater for emergencies or opportunities.	.811
ERA2-County resource allocation criterion is strictly adhered to.	.804

Source: Field Survey (2025)

Table 4.22 illustrates that factor loadings varied between 0.740 and 0.877 and hence demonstrates strong convergence as all values exceeded 0.7. As argued by Shrestha (2021), values exceeding 0.7 indicate perfect relationship to the factor pattern. Consequently, these measurement items were included in the structural modelling.

analysis. The impact of each resource allocation reforms indicators were evaluated using regression weights. The findings revealed that associated with one-unit increase in resource allocation reforms, there was a 1 unit increase in RAR3 (Equitable resource allocation), with the regression weight fixed at 1 and not estimated. Similarly, associated with one unit increase in resource allocation reforms, there was a 0.813 unit increase in RAR2 (budgetary control), accompanied by a calculated t-value of 14.155, which exceeded the recommended $|t|$ value of 1.96, suggesting a significant relationship between budgetary control and resource mobilization reforms.

Furthermore, the outcome of the analysis portrayed that, a single unit rise in resource allocation reforms, there was a 0.735 unit increase in RAR1 (Budget planning). The calculated t-value was 10.890, exceeding $|t|$ -value of 1.96, indicates a significant association between budget planning allocation and resource mobilization reforms. At 95 percent confidence level, the regression weights for the indicators of resource allocation reforms demonstrated calculated t-values exceeding $|t|$ -value of 1.96, indicating statistically significant associations between the indicators and resource allocation reforms. The study also aimed to investigate the null hypothesis which stated that resource allocation reforms do not statistically and significantly affect County performance. The analysis results revealed a significant correlation between resource allocation reforms and performance ($t= 5.578$, $p < 0.05$). The impact of resource allocation changes was shown to have a path coefficient of $\beta = 0.499$, suggesting statistical significance. As a result, the null hypothesis, H_{02} , was not accepted in favor of alternate hypothesis concluding that resource allocation reforms had a statistically significant effect on performance. The t-value of 5.578 exceeded the threshold $|t|$ -value of 1.96, indicating that performance goes up by 0.499 units for every single unit rise in resource allocation reforms.

These findings align with Mutambuki and Kabui (2022), findings that resource allocation significantly impacts service delivery, thereby reinforcing the Resource-Based Theory, which posits that the level of competitive advantage is predicted by the level of resources. In contrast, Luvisi and Ondiek (2021) conducted a comparative analysis in Western region County Governments and found no correlation between resource allocation and absorption rates. The author concluded that absorption rates do not necessarily reflect changes in the performance of County Governments From the

findings of the study, it is inferred that resource allocation reforms lead to a more strategic distribution of resources, ensuring that the most critical areas receive sufficient support, which in turn boosts overall performance and citizen satisfaction. Furthermore, effective resource allocation can reduce waste and redundancy, resulting in more efficient operations and improved outcomes.

Additionally, these reforms may have aligned resource distribution with key priorities and strategic goals, ensuring that investments directly enhance performance. Nevertheless, the current study supports the Resource-Based Theory by highlighting the importance of resource levels in influencing organizational performance.

Table 4.23: Regression Weights and C.R Values

			Estimate	S.E.	C.R.	P
Performance	<---	Resource_Allocation	.499	.089	5.578	***
RAR2	<---	Resource_Allocation	.813	.057	14.155	***
RAR1	<---	Resource_Allocation	.735	.068	10.890	***
PER2	<---	Performance	.929	.118	7.895	***
PER3	<---	Performance	.893	.102	8.714	***

*** p-value below 0.01

Source: Field Survey (2025)

Additionally, the intercepts for each observed variable indicate the expected value of that variable when the corresponding latent variable is zero.

Table 4.24: Regression Intercepts for Resource Allocation Reforms

	Estimate	S.E.	C.R.	P
RAR3	3.055	.095	32.185	***
RAR2	3.461	.075	46.367	***
RAR1	3.492	.081	43.302	***
PER1	2.951	.094	31.480	***
PER2	2.869	.098	29.158	***
PER3	2.902	.083	35.072	***

*** p-value below 0.01

Source: Field Survey (2025)

Table 4.23 displays the intercept estimates for each variable in the analysis, offering insights into the baseline values of the constructs when all predictors are set to zero. The findings show that all intercepts were positive and significantly correlated with the dependent variable, as indicated by high critical values and low p-values. The path diagram in Fig 4.10 illustrates the hypothesized structural relationships between resource allocation reforms and performance of County Governments.

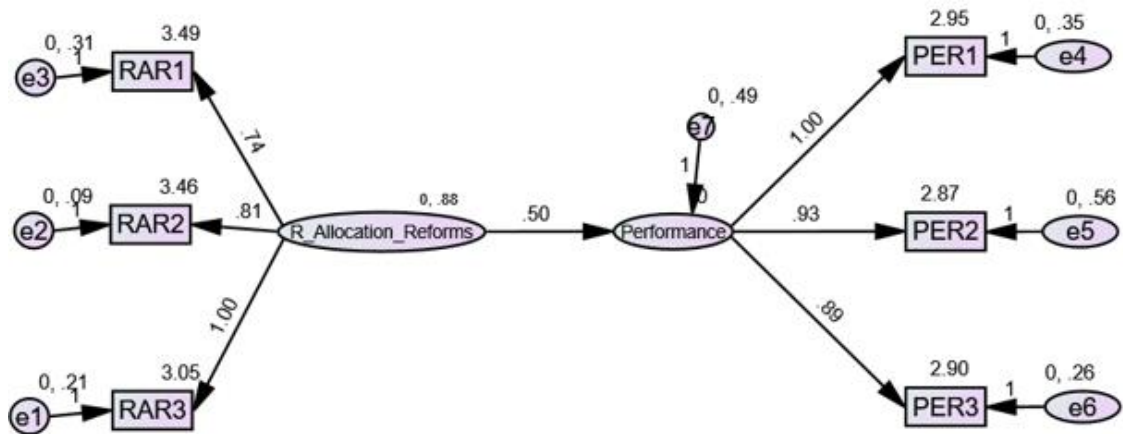


Figure 4.10: Path Coefficients for Resource Allocation Reforms and Performance
Source: Field Survey (2025)

The following Structural Equation was fitted;

$$Y_i = \nu + \lambda + \beta + \varepsilon$$

Where;

ν = intercepts (ν nu) represent the expected value of the observed variable when the associated latent variable is zero

λ = coefficients (λ lambda) indicate the factor loadings, showing how strongly each observed variable is associated with its latent variable.

β = regression coefficient (β beta).

ε = error term accounts for the unexplained variance in the observed and latent.

Thus;

$$Y_i = 3.492 + 0.740 \lambda + 0.499 RAR1 + \varepsilon \dots \dots \dots \text{(i)}$$

$$Y_i = 3.461 + 0.810 \lambda + 0.499 RAR2 + \varepsilon \dots \dots \dots \text{(ii)}$$

$$Y_i = 3.055 + 1.000 \lambda + 0.499 RAR3 + \varepsilon \dots \dots \dots \text{(iii)}$$

Where;

Y_i = Observed variables of performance of County Government

RAR1 = Budget Planning

RAR2 = Budgetary Control

RAR3 = Equitable Resource Allocation

ε = Error term

4.7.3 Effect of Audit Reforms on County Performance

Exploratory Factor Analysis was done to determine whether the retained indicators had substantial loading on the construct before applying structural models. Therefore, the study retained eight measurement items of audit reforms relating to two constructs namely; independent audits and audit committee effectiveness that had factor loading of greater than 0.7. Table 4.25 presents the retained factor for audit reforms that had factor loadings above the set threshold of 0.7, whereas the factors that had loading below this threshold were excluded and not considered during structural equation modelling.

Table 4.25: Factor loadings for Audit Reforms Indicators

Audit Reforms Indicators	Loadings
Independent audits (AR2)	
IA6-Internal audit function issues implementable recommendations.	.814
IA4-The independent assessor has issued recommendations that are pertinent to the performance of the County Government.	.795
IA5-Internal audit is effective in ensuring improved County performance.	.787
IA7-Independent audit has led to improved level accountability in the County Government.	.715
Audit committee Effectiveness (AR3)	
AC1- An audit committee has been formed within the County.	.876
AC3-Audit committee meets regularly at least once in four months to discuss audit reports and other matters pertaining to internal audit.	.799
AC5-The reports are accessible to all citizens.	.776
AC6-Audit committee ensures that audit recommendations are implemented.	.738
AC8- Autonomy of the internal audit function has influenced the performance	.711

Source: Field Survey (2025)

Table 4.25 illustrates that factor loadings varied between 0.711 and 0.876 and hence demonstrates strong convergence as all values exceeded 0.7. As argued by Shrestha (2021), values exceeding 0.7 indicate perfect relationship to the factor pattern. Consequently, these measurement items were included in the structural model analysis and impact of each audit reforms indicators were evaluated using regression weights. The findings revealed that associated with a single component rise in audit reforms, there was a single component rise in AR2 (independent audits) with the regression weight fixed at 1 and not estimated. Similarly, associated with a single component rise

in audit reforms, AR3 (audit committee) rises by 0.591 components. These findings were accompanied by a calculated t-value of 5.080, which exceeded |t|-value of 1.96, suggesting a significant relationship between the audit committee and audit reforms.

At 95 percent level of confidence, the regression weights for the indicators of audit reforms demonstrated calculated t-values exceeding the |t|-value 1.96, indicating statistically significant relationship the indicators and audit reforms. This supports the convergent validity of the indicators, hence valid measures of the audit reforms. The findings showed a strong correlation between audit reforms and performance. The path coefficient for audit reforms was $\beta = 0.340$, with a t-value of 3.343 and a p-value below 0.05, and t-value was greater than critical |t|-value of 1.96, indicating statistical significance. A unit increase in audit reforms corresponded to a 0.340-unit improvement in County Governments' performance. Consequently, the study failed to accept the null hypothesis H_{03} , affirming existence of a statistically noteworthy effect of audit reforms on the performance. For instance, Jarah, *et. al.*, (2022) observed a substantial linear relationship between internal audits and the performance of Islamic banks in Jordan.

Moreover, Muzaale and Auriacombe (2019) identified three legal and institutional frameworks, along with associated practices, policies, systems, and processes, that significantly and positively impact the management of public finances in Uganda. These frameworks aim to enhance efficiency and accountability in financial management. However, the study also highlighted shortcomings, such as a lack of transparency, accountability, and consistency, as well as institutional weaknesses within the legislative, audit, and judicial systems, create a fertile ground for the growth of corruption. These deficiencies not only hinder effective governance but also erode public trust in financial institutions. Consequently, while the identified frameworks have the potential to contribute positively to public finance management, the existing gaps significantly undermine their effectiveness and facilitate corrupt practices. This suggests that without addressing these weaknesses, the positive impacts of the legal and institutional frameworks may remain limited and ineffective in curbing corruption.

On the same note, Ibrahim (2022) investigated how financial management reforms affect County Governments performance in Nigeria and found that audit reforms notably improved performance. From these findings, it can validly be inferred that audit

reforms enhance accountability, transparency and fostering public trust in the County Governments by promoting responsible resource use and improving performance outcomes. Additionally, these reforms strengthen County public financial management, ensuring appropriate fund allocation and reducing mismanagement. Regular audits help identify inefficiencies, enabling corrective actions that boost overall performance. A robust audit framework ensures compliance with legal regulations, minimizing financial misconduct and promoting sound operational practices. By emphasizing performance metrics, audits encourage public officials to focus on results and service delivery, while also providing valuable feedback that informs strategic planning and fosters a culture of continuous improvement. These results support the New Public Management Theory, which emphasizes the importance of managerial reforms, including auditing and financial management improvements, as key drivers of improved performance in public sector organizations.

Table 4.26: Regression Weights and C.R Values

			Estimate	S.E.	C.R.	P
Performance	<---	Audit_Reforms	.340	.102	3.343	***
AR3	<---	Audit_Reforms	.591	.116	5.080	***
PER2	<---	Performance	.962	.122	7.857	***
PER3	<---	Performance	.926	.109	8.527	***

*** p-value below 0.01

Source: Field Survey (2025)

The intercepts for each observed variable indicate the expected value of that variable when the corresponding latent variable is zero.

Table 4.27 Regression Intercepts for Audit Reforms

	Estimate	S.E.	C.R.	P
PER3	2.902	.083	35.072	***
PER2	2.869	.098	29.158	***
PER1	2.951	.094	31.480	***
AR2	3.426	.085	40.134	***
AR3	3.580	.075	47.476	***

*** p-value below 0.01

Source: Field Survey (2025)

Table 4.27 presents the intercept estimates for each variable in the analysis, providing insights into the baseline values of the constructs when all predictors are at zero. The results indicate that all intercepts are positive and significantly correlated with the

dependent variable, supported by high critical values and low p-values. Additionally, the path diagram in Fig. 4.11 depicts the hypothesized structural relationships between audit reforms and County performance.

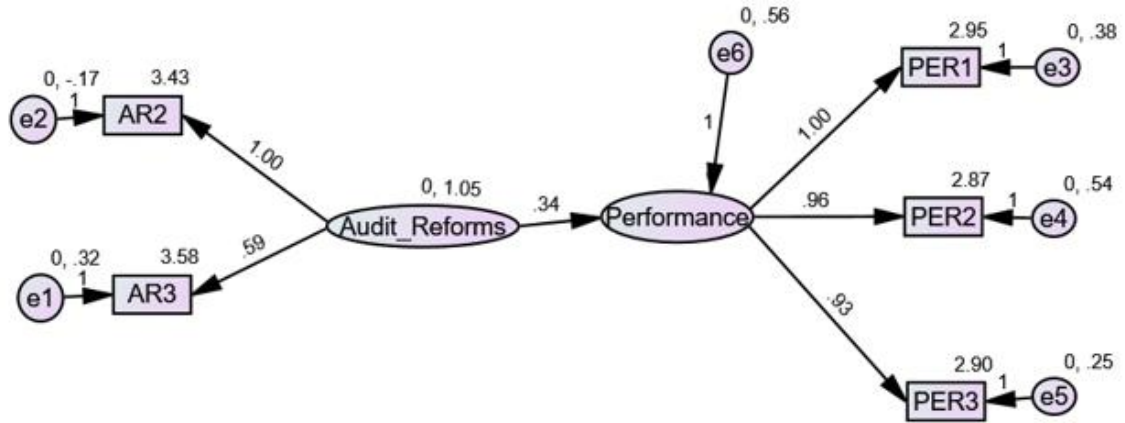


Figure 4.11: Path Coefficients for Audit Reforms and Performance
Source: Field Survey (2025)

The following Structural Equation was fitted;

$$Y_i = \nu + \lambda + \beta + \varepsilon$$

Where;

ν = intercepts (ν \nu) represent the expected value of the observed variable when the associated latent variable is zero.

λ = coefficients (λ \lambda) indicate the factor loadings, showing how strongly each observed variable is associated with latent variable

β = regression coefficient (β \beta).

ε = error term accounts for the unexplained variance in the observed and latent.

Thus;

$$Y_i = 3.426 + 1.00 \lambda + 0.340 AR2 + \varepsilon \dots \dots \dots (i)$$

$$Y_i = 3.580 + 0.591 \lambda + 0.340 AR3 + \varepsilon \dots \dots \dots (ii)$$

Where;

Y_i = Observed variables of performance of County Government

AR2 = Independent audits

AR3 = Audit committee

ε = Error term

The final fitted model results have only two equations. This reduction is attributable to the exclusion of one construct that failed to meet the minimum standardized factor loading threshold during confirmatory factor analysis, as recommended by Hair *et al.*

(2019). The low loading indicated insufficient convergent validity and weak representation of the underlying latent construct. Retaining the indicator would have introduced measurement error and compromised both construct reliability and average variance extracted. Consequently, the construct was removed in the model refinement stage to improve overall model fit indices and ensure the structural equation model satisfied the recommended validity and reliability criteria.

4.7.4 Effect of Public Participation Reforms on County Performance

Exploratory Factor Analysis was done to determine whether the retained indicators had substantial loadings on the construct before performing structural modelling. Therefore, the study retained five measurement items of public participation reforms relating to two construct, that is citizen attendance participation and citizen influence, that had factor loading of greater than 0.7.

Table 4.28: Factor loadings for Public Participation Reforms Indicators

Audit Reforms Indicators	Loadings
Citizen attendance and participation (PPR1)	
CAP7-Public participations cover revenue sources, allocation, and spending.	.785
CAP8-Citizens understand the importance of public participation.	.730
Citizen Influence (PPR3)	
CI4-There are meetings organized by the County to discuss the citizen's views.	.827
CI2-Citizens have been provided with safeguards to freely present their views.	.823
CI3-Citizens have raised valid concerns on matters affecting performance	.804

Source: Field Survey (2025)

Table 4.28 illustrates that factor loadings varied between 0.730 and 0.827 and hence demonstrated strong convergence as all values exceeded 0.7. As argued by Shrestha (2021), values exceeding 0.7 indicate perfect relationship to the factor pattern. Consequently, these measurement items were included in the structural modelling. Impact of each public participation reforms indicators were evaluated using regression weights. The findings revealed that, associated with one-unit increase in public participation reforms, there was 1 unit increase in PPR3 (Citizen influence) with the regression weight fixed at 1 and not estimated. Similarly, associated with one unit increase in public participation reforms, there was a .578 unit increase in PPR1 (Citizen

attendance and participation), PPR1 accompanied by a computed t-value of 3.718, which exceeded the |t|-value of 1.96, suggesting a significant relationship between citizen influence and public participation reforms.

At 95 percent level of confidence, regression weights for the indicators of public participation reforms demonstrated calculated t-value exceeding the critical |t|-value of 1.96, indicating statistically significant associations between the indicators and public participation reforms. This supports the convergent validity of the indicators, suggesting that they are valid measures of the public participation reforms. The results revealed a significant relationship between public participation reforms and performance. The path coefficient for the effect of public participation reforms on performance was $\beta = 0.435$, with a calculated $t = 3.260$ and a $p < 0.05$, hence statistically significant since the calculated t-value exceeded the |t|-value threshold of 1.96, indicating that associated with a single unit rise in public participation reforms, there was a 0.435 unit rise in performance. Thus, the study failed to reject the null hypothesis, H_{04} , implying the existence of a statistically significant effect of public participation reforms on performance. The result aligns with the findings of Ndiao (2024) who identified key factors such as participant preparation, representativeness, thoroughness of deliberations and the management of citizen forums as essential for equitable budget allocation in health, agriculture and road programs.

Additionally, Nyagah and Njoka (2022) found a moderate impact of public participation on public financial management performance. From this finding it can be inferred that public participation reforms enhance community engagement, leading to more informed decision-making that aligns government actions with public needs. They improve transparency, foster trust and accountability, which is essential for effective governance. By involving citizens in policy development, these reforms empower individuals, increasing satisfaction and performance outcomes. Diverse perspectives gained through participation result in comprehensive and balanced policies. Feedback mechanisms enable government entities to adapt services based on citizen input, enhancing overall performance. Effective public participation also promotes equitable budget allocations across various departments in the County and enhancing accountability by involving citizens in governance processes.

The results of this study support the Stakeholder Theory, claiming that involving diverse stakeholders in decision-making processes can improve organizational performance. Enhancing public participation enables County Governments to meet stakeholder needs and interests, thereby increasing their overall effectiveness. The observed significant impact underscores the importance of stakeholder engagement in achieving optimal governance outcomes.

Table 4.29: Regression Weights and C.R Values

			Estimate	S.E.	C.R.	P
PER	<-	Public_Participation_Reforms	.435	.133	3.260	.001
PER2	<-	Performance	.860	.122	7.870	***
PER3	<-	Performance	.693	.108	8.496	***
PPR1	<-	Public_Participation_Reforms	.617	.155	3.718	***

*** p-value below 0.01

Source: Field Survey (2025)

Further, the intercepts for each observed variable indicate the expected value of that variable when the corresponding latent variable is zero.

Table 4.30: Regression Intercepts for Public Participation Reforms

	Estimate	S.E.	C.R.	P
PER3	2.902	.083	35.072	***
PER2	2.869	.098	29.158	***
PER1	2.951	.094	31.480	***
PPR1	3.852	.079	48.841	***
PPR3	3.358	.090	37.411	***

*** p-value below 0.01

Source: Field Survey (2025)

Table 4.30 presents an overview of the intercept estimates for each variable analyzed in this study. These intercepts represent the baseline values of the constructs when all predictors are set to zero. The findings revealed that all intercepts are not only positive but also exhibited a significant relationship with the dependent variable. There were high critical values and correspondingly low p-values, hence level significance, indicating robust statistical support for the observed relationships.

In conjunction with these quantitative findings, the path diagram illustrated in Fig. 4.12 further enriches the analysis by visually depicting the hypothesized structural relationships between public participation reforms and the performance outcomes of

County Governments. The diagram highlights how various elements interact and influence each other.

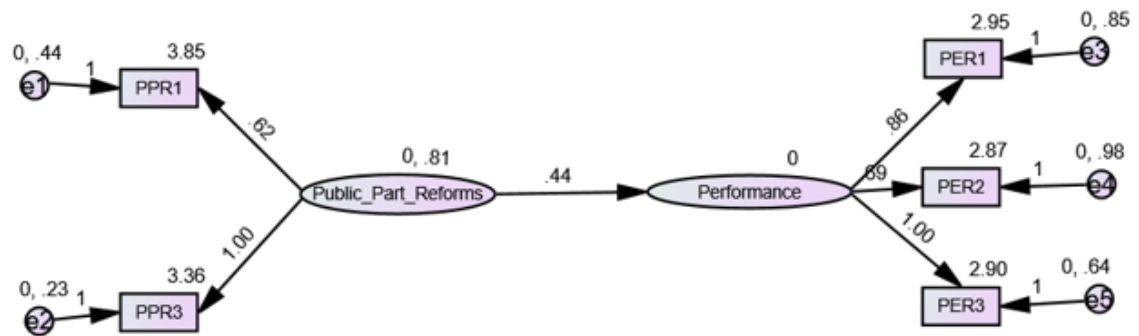


Figure 4.12: Path Coefficients for Public Participation Reforms and Performance
Source: Field Survey (2025)

$$Y_i = \nu + \lambda + \beta + \varepsilon$$

Where;

ν = intercepts (ν \nu) represent the expected value of the observed variable when the associated latent variable is zero.

λ = coefficients (λ \lambda) indicate the factor loadings, showing how strongly each observed variable is associated with its latent variable.

β = regression coefficient (β \beta).

ε = error term accounts for the unexplained variance in the observed and latent.

Thus;

$$Y_i = 3.852 + 0.617\lambda + 0.435PPR1 + \varepsilon \dots \dots \dots (i)$$

$$Y_i = 3.358 + 1.000\lambda + 0.435PPR3 + \varepsilon \dots \dots \dots (ii)$$

Where;

Y_i = Observed variables of performance of County Government

PPR1= Citizen Attendance and Participation

PPR3= Citizen Influence

ε = Error term

The final fitted model presents only two structural equations, a reduction resulting from the removal of one construct that did not meet the minimum factor loading threshold during confirmatory factor analysis, in line with the recommendations of Hair *et al.* (2019).

4.7.5 Combined Effect of Predictor Variables on County Performance

To evaluate the combined effect of the various reforms on County Governments' performance, an overall structural model was applied. The results demonstrate that

resource mobilization reforms had a beta coefficient of 0.740 and t-value of 1.220 and a p-value greater than 0.05. According to this, a unit increase in resource mobilization reforms leads to a 0.740 unit increase in County performance. Nonetheless, at a 5 percent significance level, the t-value was less than the critical |t|-value of 1.96, this implies that joint effect of resource mobilization reforms on County Governments performance is statistically insignificant. Similarly, the beta coefficient and t-value on resource allocation reforms was 0.009 and t-value of 0.114 and a p-value greater than 0.05. This indicates that a one component rise in resource allocation reforms, County performance improved by 0.009 units. Nonetheless, since t-value was less than |1.96| and p-value was less than greater than 0.05, it implies that resource allocation reforms have an insignificant joint effect on the performance.

It was further established that audit reforms had a beta coefficient of 0.125 with a calculated t-value of 0.750 and p-value greater than 0.05. This suggests that a unit rise in audit reforms leads to a 0.125 unit increase in County performance. At 5 percent significance level, the t-value was less than the critical |t|-value of 1.96 and p-value was greater than 0.05, indicating that audit reforms do not significantly affect County performance. Lastly, the results revealed beta coefficient for public participation reforms was 0.074 with a t-value 0.491 and p-value greater than 0.05. This suggests that a unit increase in public participation reforms leads to a 0.074 unit increase in the County performance.

Table 4.31: Regression Weights and C.R Values

			Estimate	S.E.	C.R.	P
Performance	<---	A_R	.125	.166	.750	.453
Performance	<---	R_A_R	.009	.083	.114	.909
Performance	<---	R_M_R	.740	.564	1.220	.222
Performance	<---	P_P_R	.074	.152	.491	.624
RMR2	<---	R_M_R	.680	.133	5.432	***
RMR1	<---	R_M_R	.529	.056	9.433	***
RAR2	<---	R_A_R	.734	.036	20.675	***
RAR1	<---	R_A_R	.671	.048	14.084	***
AR3	<---	A_R	.704	.039	17.887	***
PPR1	<---	P_P_R	.577	.053	10.981	***
PER3	<---	Performance	.762	.095	8.010	***
PER2	<---	Performance	.843	.115	7.323	***

*** p-value below 0.01

Source: Field Survey (2025)

Further, the intercepts for each observed variable indicate the expected value of that variable when the corresponding latent variable is zero. Table 4.32 presents an overview of the intercept estimates for each variable. The findings reveal that all intercepts are not only positive but also exhibit a significant relationship with the dependent variable. This level of significance is supported by the high critical values and corresponding low p-values.

Table 4.32: Regression Intercepts for Combined Effect of Predictor Variables

	Estimate	S.E.	C.R.	P
RMR1	3.870	.049	78.675	***
RMR2	4.240	.047	90.831	***
RMR3	3.459	.080	43.027	***
RAR3	3.055	.095	32.185	***
RAR2	3.461	.075	46.367	***
RAR1	3.492	.081	43.302	***
PER3	2.902	.083	35.072	***
PER2	2.869	.098	29.158	***
PER1	2.951	.094	31.480	***
AR3	3.580	.075	47.476	***
AR2	3.426	.085	40.134	***
PPR1	3.852	.079	48.841	***
PPR3	3.358	.090	37.411	***

*** p-value below 0.01

Source: Field Survey (2025)

The following Structural Equations were fitted after running a joint model.

$$Y_i = \nu + \lambda + \beta + \varepsilon$$

Where;

ν = intercepts (ν) represent the expected value of the observed variable when the associated latent variable is zero

λ = coefficients (λ) indicate the factor loadings, showing how strongly each observed variable is associated with its latent variable.

β = regression coefficient (β).

ε = error term accounts for the unexplained variance in the observed and latent.

Thus;

$$Y_i = 3.870 + 0.575\lambda + 0.740 RMR1 + \varepsilon \dots \dots \dots (i)$$

$$Y_i = 4.240 + 0.680\lambda + 0.740 RMR2 + \varepsilon \dots \dots \dots (ii)$$

$$Y_i = 3.459 + 1.000\lambda + 0.740 RMR3 + \varepsilon \dots \dots \dots (iii)$$

$$Y_i = 3.492 + 0.670\lambda + 0.009 RAR1 + \varepsilon \dots \dots \dots (iv)$$

$$Y_i = 3.461 + 0.734\lambda + 0.009 RAR2 + \varepsilon \dots \dots \dots (v)$$

$$Y_i = 3.055 + 1.000\lambda + 0.009 RAR3 + \varepsilon \dots \dots \dots (v)$$

$$Y_i = 3.580 + 0.704 \lambda + 0.125 AR2 + \varepsilon \dots\dots\dots(vii)$$

$$Y_i = 3.426 + 1.000 \lambda + 0.125 AR3 + \varepsilon \dots\dots\dots(vii)$$

$$Y_i = 3.852 + 0.591 \lambda + 0.074 PPR1 + \varepsilon \dots\dots\dots(xi)$$

$$Y_i = 3.358 + 1.000 \lambda + 0.074 PPR3 + \varepsilon \dots\dots\dots(xi)$$

Where.

Y_i = Observed variables of performance of County Governments

RMR1 = County Revenue Sources

RMR2 = Revenue Collection

RMR3 = Revenue Administration

RAR1= Budget Planning

RAR2= Budgetary Control

AR2=Independent audits

AR3=Audit committee

PPR1= Citizen Attendance and Participation

PPR3= Citizen Influence

ε = Error term

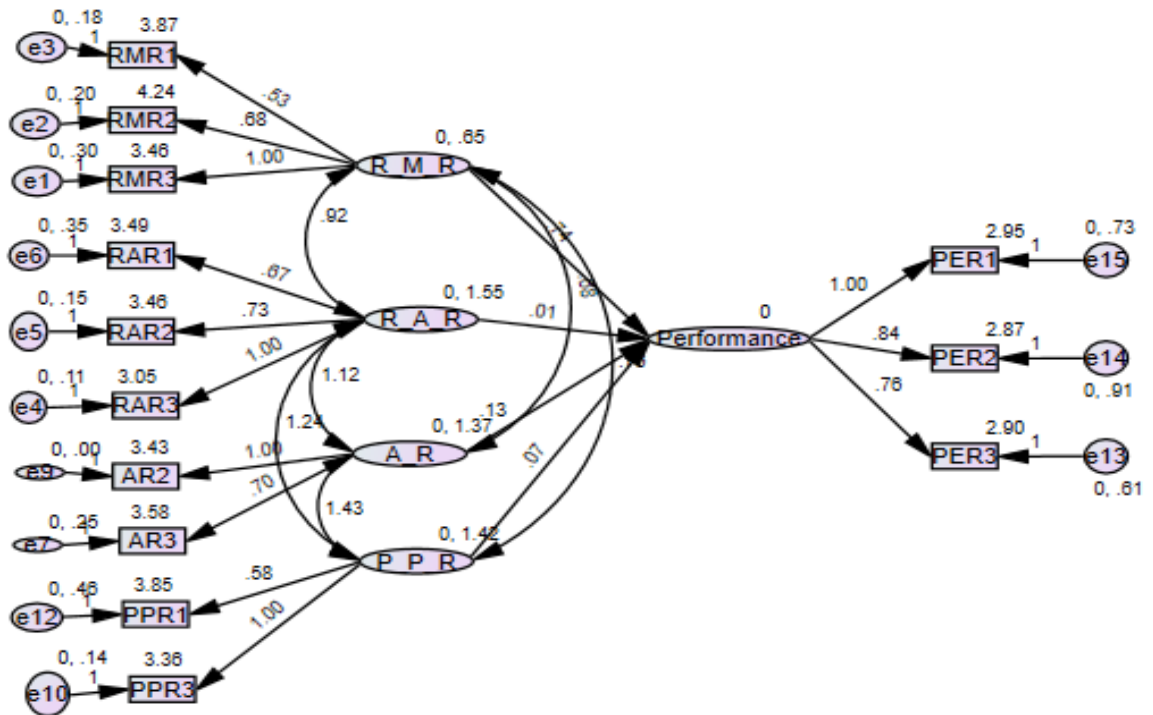


Figure 4.13: Path Coefficients for Combined Effect of Predictor Variables on Performance

Source: Field Survey (2025)

4.7.6 Moderating Effect of Legal Framework on the Combined Effect of Predictor Variables on County Performance

This study examined whether the legal framework significantly moderates the joint effect of joint effect of resource mobilization reforms, resource allocation reforms, audit reforms and public participation reforms on County performance.

Legal framework does not have a significant impact on performance. The moderating effect was evaluated by introducing an interaction term between resource mobilization reforms and legal framework. The interaction term had a coefficient of $\beta = 0.306$ a t-value of 3.504, and p-values below 0.05, suggesting statistical significance since the t-calculated value exceeded the critical t-value of ± 1.96 and p-value was less than 0.05. The result reveals that resource mobilization reforms are a significant predictor of performance. This highlights the importance of resource mobilization reforms in determining the performance of County Governments. This suggests that the relationship between resource mobilization reforms and performance is significantly moderated by the legal framework. Consequently, the study failed to accept the null hypothesis, suggesting that the legal framework has statistically significant effect on the effect of resource mobilization reforms on County performance. The findings support that of Oduol (2023), established, through a study which sampled five of the forty-seven Counties, a significant linear association of regulatory framework and improvement of County revenue collection.

This can be inferred that success of resource mobilization reforms in improving performance is impacted by the existing legal framework. A strong legal structure offers crucial guidelines and support for implementation. This underscores the importance for Counties to focus not only on resource mobilization but also on strengthening legal frameworks to enhance performance. Weak or poorly executed legal structures can undermine the benefits of these reforms, highlighting the need for regulatory compliance. For optimal results, resource mobilization efforts should align with legal standards to ensure smoother implementation and greater accountability. The coefficient of the interaction term between resource allocation reforms and legal framework was -0.064 with a calculated t-value of -0.579 and a p-value of 0.563. This value was smaller than |t|-value of 1.96 indicating statistical insignificant. This finding suggests that the impact of resource allocation reforms on performance is not

significantly moderated by the legal framework. Therefore, the study failed to reject the null hypothesis, which implies that the legal framework does not significantly moderate the relationship between resource allocation reforms and performance.

This finding is consistent with those of Gichuki, Karanja and Atikiya (2024) did not establish a moderating role of legal framework on organizational structure and implementation of devolved units' strategic plans in Kenya. Conversely, Karama (2022) established a positive and significant moderation effect of legal framework and strategic planning and devolved service delivery. This finding suggests that resource allocation reforms can be effective regardless of the legal context. Policymakers should therefore prioritize optimizing resource allocation strategies instead of solely focusing on legal adjustments. Additionally, the absence of moderation may be due to an established resource allocation process that functions well even within legal constraints, or it could indicate that a strong legal framework is already in place.

The coefficient of the interaction term between audit reforms and legal framework was -0.148 and its calculated t-value of -1.768. and the p-value was 0.077. This finding suggests that audit reforms and performance are not influenced by legal framework. Consequently, the study failed to reject the null hypothesis, demonstrating that the legal framework has no statistically significant moderating effect in the relationship between audit reforms and County performance. This finding stands in opposition to the work of Mweta, Jagongo and Mithi (2024), who investigated how the regulatory framework influences the relationship between external corporate governance mechanisms and the financial performance of East African Community cross-listed firms. The author established that independent audits had a negative correlation with performance which was measured using return on assets. Additionally, the study found that the regulatory framework plays a moderating role in the relationship between independent audits, product market dominance and return on assets.

The findings are also consistent with those of Gebreyesus (2022), who identified both direct and indirect effects of the legal framework on public expenditure management within public sector entities in Ethiopia. This suggests that these reforms can enhance performance without being significantly impacted by legal constraints. This means County Governments can implement audit reforms as standalone strategies for improvement without requiring extensive legal changes. The minimal influence of the

legal framework may imply that it already supports audit processes, or that other factors, such as organizational culture and administrative capacity, are more critical in determining the effectiveness of these reforms.

This moderating effect was assessed by introducing an interaction term. The coefficient of the interaction term between public participation reforms and legal framework was -0.081 and its calculated t- value of -1.243 and the p value of 0.214. This result suggests that legal framework does not significantly moderate the effect of public participation reforms on performance. As a result, the study failed to reject the null hypothesis, H_{0m4} , suggesting that the legal framework does not significantly moderate the relationship between public participation reforms and performance. This aligns well with the findings of Karama (2022), who established through a regression modelling that legal framework positively and significantly moderates the relationship between strategic planning. However, it does not moderate the relationship between stakeholder engagement and devolved service delivery.

The results showed that public participation reforms can enhance performance independently of the legal framework. From this finding, it can be inferred that effective public participation is not significantly affected by legal constraints. This enables policymakers to concentrate on enhancing public participation reforms as effective strategies for performance improvement without major legal changes. The absence of moderation may other factors, such as community engagement and administrative practices, play a more vital role in driving the success of these reforms.

Table 4.33: Moderated Regression Weights and C.R Values

			Estimate	S.E.	C.R.	P
Performance	<---	A_R	.202	.240	.843	.399
Performance	<---	R_A_R	.223	.222	1.006	.315
Performance	<---	R_M_R	.457	.167	2.739	.006
Performance	<---	P_P_R	.019	.066	.288	.773
Performance	<---	Legal_Framework	.017	.088	.188	.851
Performance	<---	ZRMR_X_ZLF	.306	.087	3.504	***
Performance	<---	ZRAR_X_ZLF	-.064	.110	-.579	.563
Performance	<---	ZAR_X_ZLF	-.148	.084	-1.768	.077
Performance	<---	ZPPR_X_ZLF	-.081	.065	-1.243	.214
RMR2	<---	R_M_R	.772	.158	4.897	***
RMR1	<---	R_M_R	.679	.095	7.162	***
RAR2	<---	R_A_R	.739	.047	15.665	***
RAR1	<---	R_A_R	.677	.062	10.996	***
AR3	<---	A_R	.710	.049	14.381	***
PPR1	<---	P_P_R	.592	.067	8.776	***
PER3	<---	Performance	.781	.152	5.123	***
PER2	<---	Performance	.807	.177	4.548	***

*** p-value below 0.01

Source: Field Survey (2025)

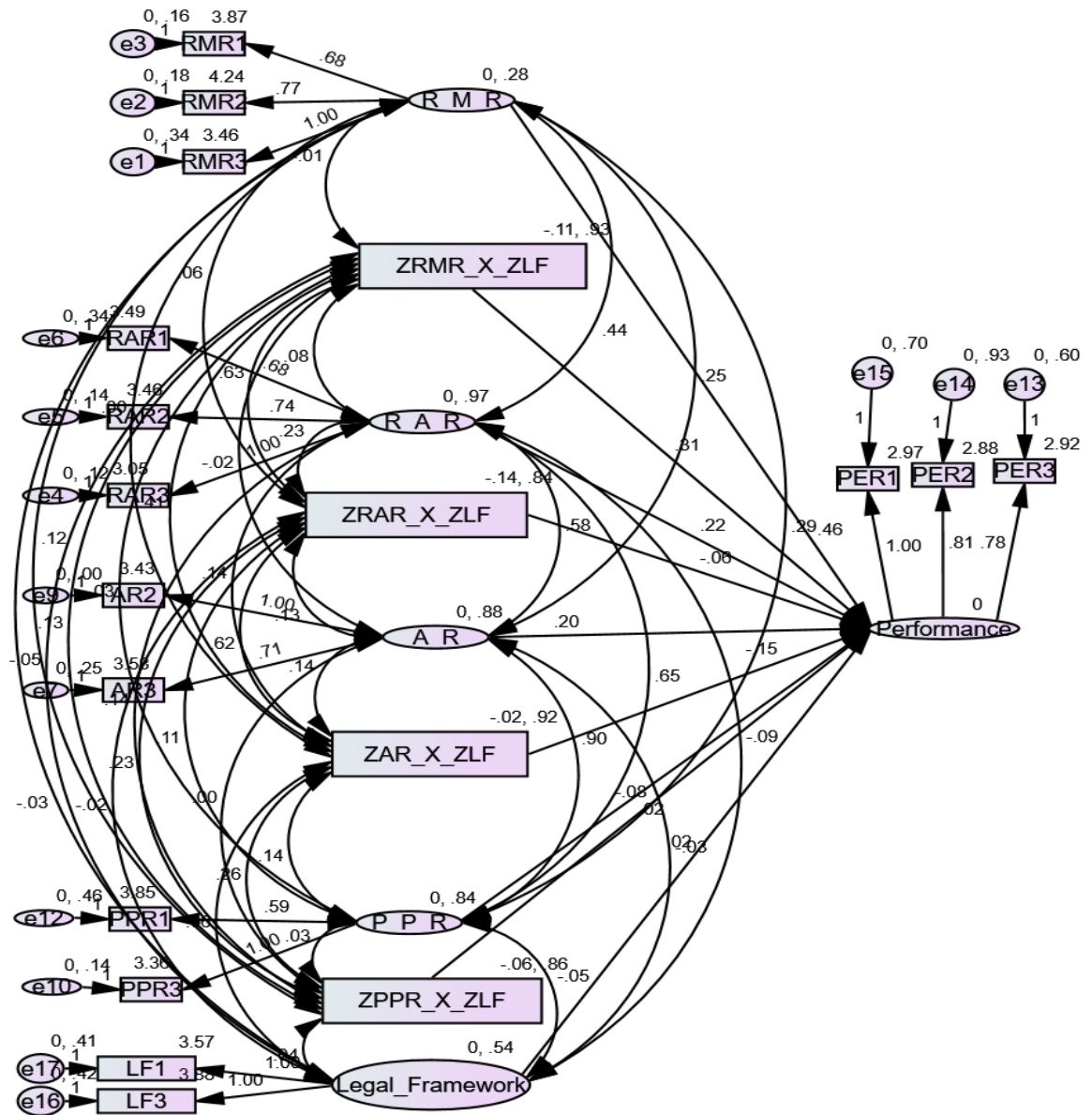


Figure 4.14 Path Coefficients for Legal Framework and Combined Effect of Predictor Variables on Performance
Source: Field Survey (2025)

4.8 Data Diagnostic Test after Structural Equation Modelling

The section presents data diagnostic results after performance of structural equation modelling to confirm fitness of data.

4.8.1 Measurement Model Fitness Evaluation

Model fitness tests were crucial for assessing how effectively a statistical model aligns with the data it intends to measure as it determines whether the model's structure

accurately captures the underlying relationships among variables (Kharuddin, Azid, Mustafa, Ibrahim and Kharuddin, 2020). Chi-Square (CMIN) test statistics was used to assess the overall model fitness. However, as argued by Yashloglu and Yashloglu (2020), CMIN test is sensitive to size of the sample. To mitigate this risk, the study used CMIN with other fit indices which included the Adjusted Goodness of Fit Index (AGFI), Normed Fit Index (NFI), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA) statistics, as recommended by Schumacker and Lomax (2004).

Table 4.34: Model Fitness Test Result

Variable	CMIN	CMIN/DF	DF	AGFI	CFI	NFI	RMSEA
RMR	23.68	2.960	8	0.85	0.94	0.91	0.027
RAR	12.16	1.520	8	0.92	0.99	0.97	0.066
AR	8.017	2.004	4	0.91	0.99	0.97	0.091
PPR	9.009	2.252	4	0.91	0.84	0.82	0.024
Overall	174.7	3.177	55	0.84	0.91	0.97	0.094
Threshold		CMIN/DF = 1 to 5		≥0.80	≥0.80	≥0.80	≤0.05 good ≤0.08 excellent ≤0.1 acceptable

Source: Field Survey (2025)

The model fitness test results for all variables suggest that the various thresholds were attained and concluded that the model fits the data well. The indices for all the four independent variables for the chi-square ratio fell within an acceptable range of between 1 and 5, indicating a reasonable fit. The indices for Adjusted Goodness of Fit, comparative fit index and Normed Fit Index were all above the threshold of 0.8 for the independent variables indicating fitness of the model. According to McDonald & Ho (2002), an AGFI coefficient of 0.8 or greater is deemed appropriate.

According to Tabachnick, Fidell and Ullman (2013), CFI values similarly vary from 0 to 1, with values of 0.8 or above typically considered acceptable. Further, Hu and Bentler (1999) suggest that an NFI score of 0.8 or above typically suggests a good fit of the model. The RMSEA values indicated goodness of fit as they all fell below the acceptable maximum threshold of 0.1 affirming model fitness. Hu and Bentler (1999) defined acceptable boundaries for RMSEA from 0.08 to 0.10 as acceptable, values from 0.05 to 0.08 as good and values less than 0.05 as excellent.

4.8.2 Linearity Test

Sahoo and Ramgopal (2014) contend that linearity of variables is a fundamental assumption that must be met during regression analysis. Non-linearity in the data could compromise the model's predictions, potentially leading to significant inaccuracies. This study utilized a graphical approach to confirm linearity of the study variables. This assumption was tested by plotting residual against predicted values.

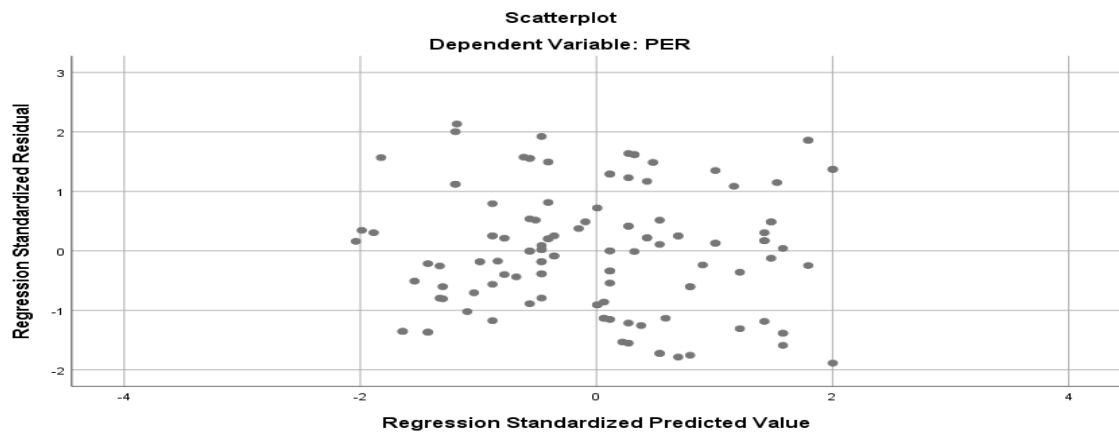


Figure 4.15: Scatter plot for Resource Mobilization Reforms
Source: Field Survey (2025)

To confirm the linearity assumption, residuals were plotted against predicted values. The resulting scatter plots displayed no systematic patterns or curvature, indicating an even distribution of residuals around zero across the range of predicted values. This visual inspection supports the conclusion that the relationship between the variables is linear, validating the appropriateness of applying linear regression in this analysis.

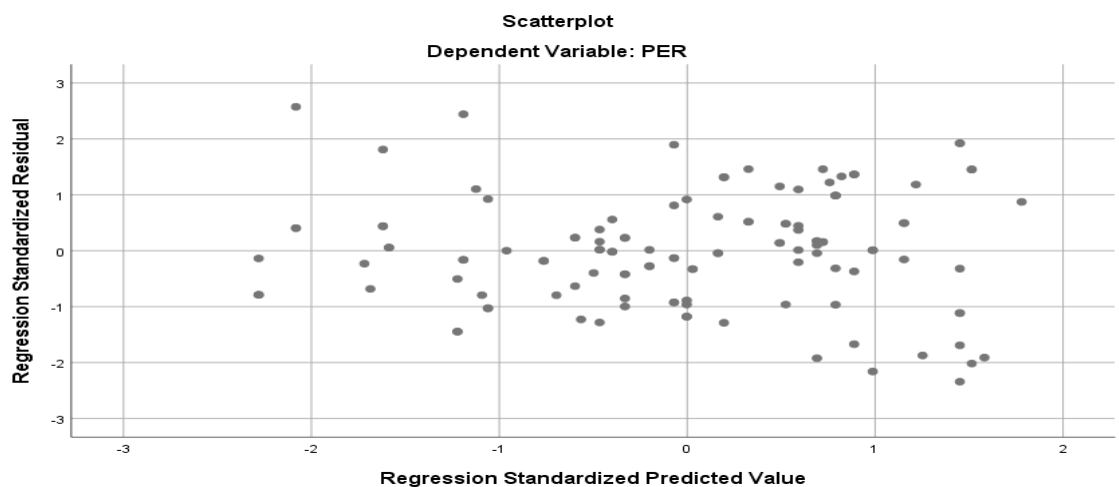


Figure 4.16: Scatter plot for Resource Allocation Reforms
Source: Field Survey (2025)

The linearity assumption was evaluated by plotting residuals against predicted values. The scatter plots revealed a random distribution of residuals around the horizontal axis, with no visible patterns or curvilinear trends. This pattern suggests that the linearity assumption holds, confirming that linear regression is an appropriate model for analyzing the relationships in this study.

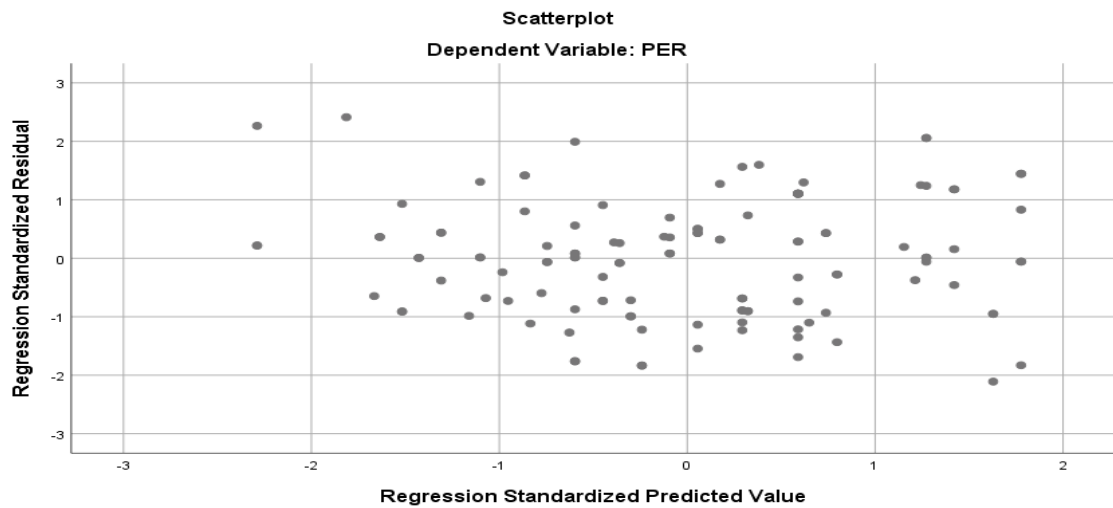


Figure 4.17: Scatter plot for Audit Reforms
Source: Field Survey (2025)

Linearity was assessed through residuals plotted against predicted values. The resulting scatter plots indicated that residuals were evenly dispersed around zero, with no discernible patterns or curves, suggesting a linear relationship between the variables. Therefore, the assumption of linearity was met, supporting the use of linear regression in this study

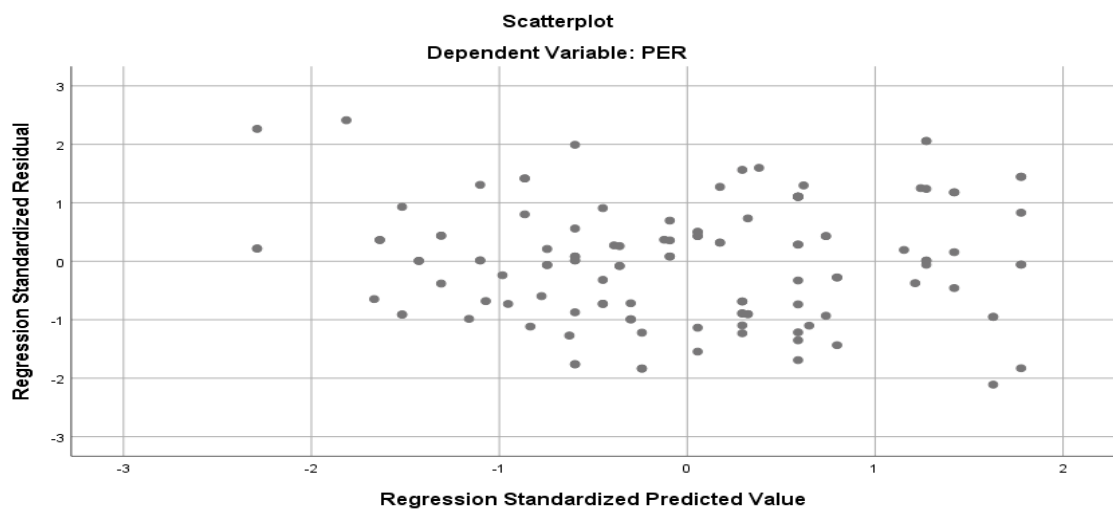


Figure 4.18: Scatter plot for Public Participation Reforms
Source: Field Survey (2025)

To assess the assumption of linearity in the relationships between the independent and dependent variables, scatter plot graphs were generated. The visual inspection of these graphs confirmed that the data points generally follow a linear trend, suggesting that linearity is present. This indicates that a linear model is appropriate for further analysis, as the relationship between the variables does not deviate substantially from a straight line.

4.8.3 Normality Test

Normality testing is essential for determining whether data are well-modeled by a normal distribution, which is a key assumption in linear regression analysis for ensuring the validity of inferential statistics. According to Kothari and Garg (2014), the normality test assesses the extent to which the observed values deviate from the expected values under a normal distribution, thereby serving as a measure of goodness of fit. In this study, the Kolmogorov-Smirnov (K-S) test with Lilliefors significance correction was employed to assess the normality of the data. Table 4.35 summarizes the results.

Table 4.35: Tests of Normality

	Kolmogorov-Smirnov ^a		
	Statistic	df	Sig.
RMR	.091	122	.065
PER	.075	122	.093
LF	.114	122	.071
RAR	.099	122	.085
AR	.075	122	.091
PPR	.091	122	.076

a. Lilliefors Significance Correction
Source: Field Survey (2025)

As shown in Table 4.35, all the variables recorded p-values greater than the 0.05 significance threshold, indicating that the data do not significantly deviate from normal distribution. Therefore, the assumption of normality is satisfied for all the study variables.

4.8.4 Heteroscedacity Test

Heteroscedasticity occurs when there are biased coefficients in regression analysis. The assumption is that the error term maintains homoscedasticity, or a constant variance (Armor, *et. al.*, 2017). To assess heteroscedasticity, both a scatter plot graph and Levene test statistics were utilized. The scatter plot graph was preferred due to its capability to effectively illustrate the variability present in the data through visual representation. Using scatter plot, data points are plotted on a graph, and if they form a cone or fan shape rather than a uniform pattern, it indicates heteroscedasticity, which can adversely affect regression outcomes.

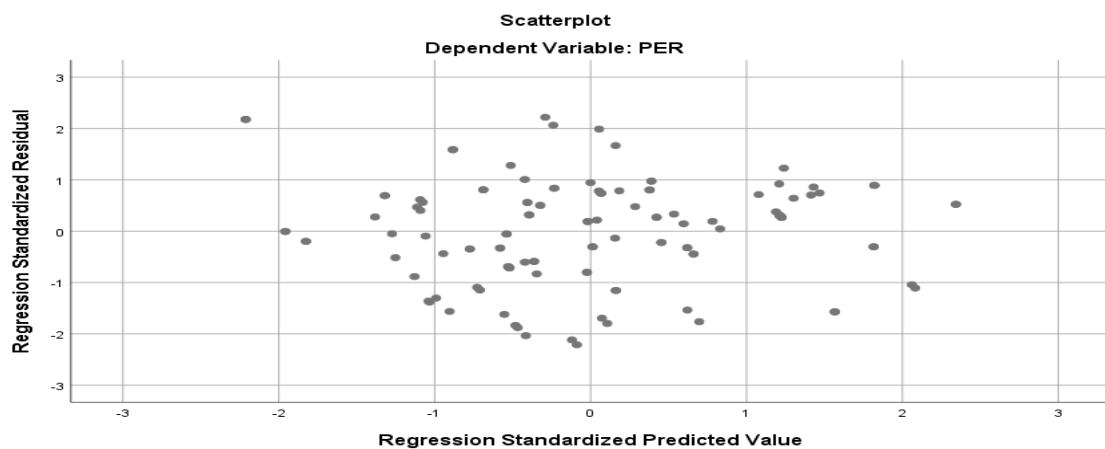


Figure 4.19: Scatter Plot for test of Heteroscedacity
Source: Field Survey (2025)

As depicted in Figure 4.20, the scatter plot shows a spread of residuals without any systematic patterns. This result supports the assumption of homoscedasticity, thereby reinforcing the reliability and validity of regression model predictions across the entire range of independent variables values.

Levene test statistic was employed to evaluate whether heteroscedasticity was present in the data. This statistical test assesses the equality of variances across different groups or levels of the independent variables. According to Berenguer-Rico and Wilms (2021), if the Levene’s test statistic yields a value greater than 0.05, it suggests that the data does not exhibit significant heteroscedasticity, meaning that the variances are relatively uniform across the groups being studied. In other words, a value above this threshold indicates that the assumption of homoscedasticity is met. The data in Table 4.37 presents the output of the analysis.

Table 4.37: Test of Homogeneity of Variance

	Levene Statistic	df1	df2	Sig.
PER Based on Mean	4.569	31	90	.591
Based on Median	3.307	31	90	.602
Based on Median and with adjusted df	3.307	31	43.447	.836
Based on trimmed mean	4.496	31	90	.616

Source: Field Survey (2025)

Table 4.37 displays the test statistics results for 4 different versions of Levene’s test. Generally, this test is determined based on the mean value, that is, the first row of the table. The various Levene’s test statistics were 4.569, 3.307, 3.307 and 4.496 with p-values of 0.591, 0.602, 0.836 and 0.616 correspondingly. The p-values for all the various Levene tests were insignificant, that is p-values were greater than 0.05, it implies that the variance is equal. The assumption that variance in the dependent variable is equal across the four independent variables is not rejected. This implies that there is no significant evidence to say that the variances are different across groups suggesting homogeneity of variance.

4.9 Summary of Hypotheses Testing

Table 4.38 summarizes the findings of the tested research hypotheses.

Table 4.38: Summary of Hypotheses Testing

Hypotheses	$\beta \neq 0$	t-value	p-value	Verdict
H0₁ : There is no statistically significant effect of resource mobilization reforms on the performance of County Governments.	0.566	3.390	< 0.05	Rejected
H0₂ : There is no statistically significant effect of resource allocation reforms on the performance of County Governments.	0.499	5.578	< 0.05	Rejected
H0₃ : There is no statistically significant effect of audit reforms on performance of County Governments.	0.340	3.343	< 0.05	Rejected
H0₄ : There is no statistically significant effect of public participation reforms on the performance of County Governments.	0.435	3.260	< 0.05	Rejected
H0_{5a} : Legal framework has no statistically significant moderating effect on the relationship between resource mobilization reforms and performance of County Governments	0.306	3.504	< 0.05	Rejected
H0_{5b} : Legal framework has no statistically significant moderating effect on the relationship between resource allocation reforms and performance of County Governments.	-0.064	-0.579	> 0.05	Accepted
H0_{5c} : Legal framework has no statistically significant moderating effect on the relationship between audit reforms and performance of County Governments.	-0.148	-1.768	> 0.05	Accepted
H0_{5d} : Legal framework has no statistically significant moderating effect on the relationship between public participation reforms and performance of County Governments.	-0.081	-1.243	> 0.05	Accepted

Source: Field Survey (2025)

4.10 Optimal Model

The purpose of model optimization was to assist in developing the final revised conceptual framework leveraging on variables that had significance. Inferential

statistics indicated that all independent variables demonstrated a significant relationship with the performance of County Governments and were therefore retained. However, factor analysis revealed that some observed variables did not load significantly and were subsequently excluded in the development of optimal model. The observed variables that showed significant loading were retained for the development of the optimal model. The revised conceptual framework is presented Fig 4.21.

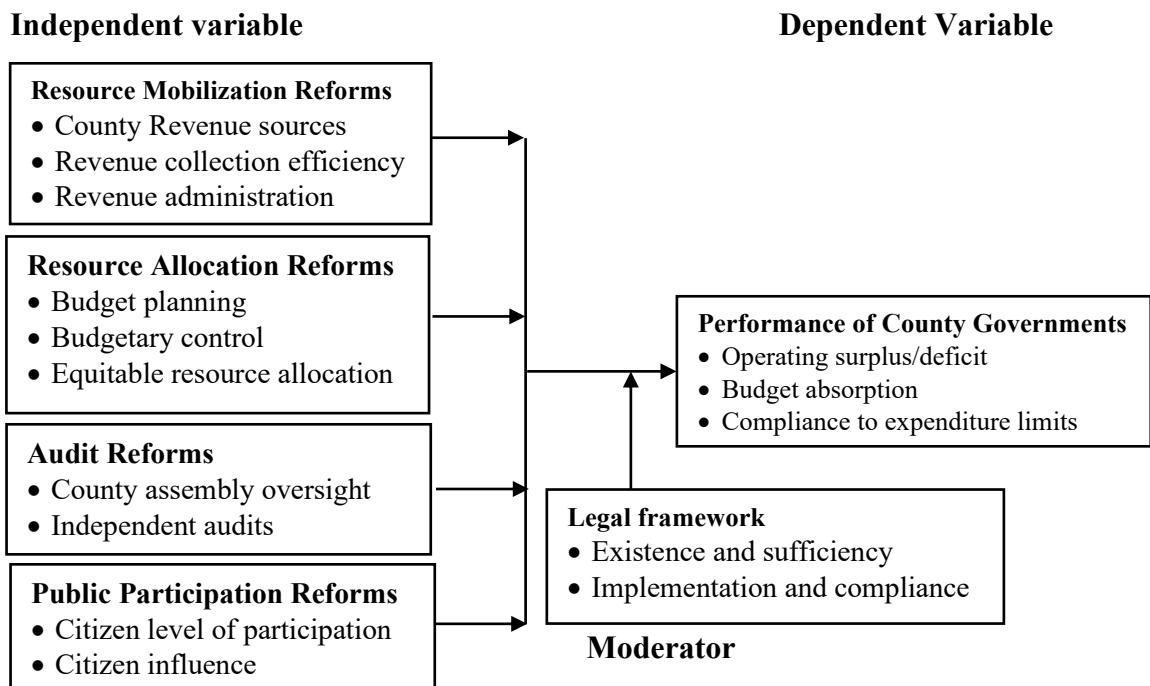


Figure 4.20: Optimal Model
Source: Field Survey (2025)

All the study dependent variables statistically and significantly predicted County performance. The constructs which had no significant loadings were excluded. Resource mobilization reforms were optimally measured by County revenue sources, revenue collection efficiency and revenue administration. Resource allocation reforms were optimally measured by budget planning, budgetary control and equitable resource allocation. Audit reforms were optimally measured by the County Assembly oversight and independent audits. Public participation reforms optimally measured by citizen level of participation and citizen influence whereas legal framework optimally measured by existence and sufficiency and implementation and compliance and performance of County Governments were optimally measured by operating surplus/deficit, budget absorption and compliance with expenditure limits.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings in relation to the research objectives, the conclusions and recommendations based on these findings. Lastly, the chapter offers suggestions for future research.

5.2 Summary of Findings

This research aimed to analyze how reforms in public finance management impact the performance of County Governments in Kenya. Primary data was gathered from a selection of Counties, including Tana River, Machakos, Garissa, Kiambu, Turkana, Kisii and Nairobi. The first objective of the study was to assess the influence of resource mobilization reforms on the performance of County Governments. The results revealed varied opinions on the reliance of County Governments on locally generated revenues. It was evident that Counties largely depend on the equitable share of revenue from the national government. Respondents confirmed that Counties have successfully identified and operationalized their own-source revenue streams.

However, despite this, there are concerns about the effectiveness of strategies employed to mobilize these identified revenues. It was generally agreeable that County Governments are proactive in continuously reviewing their revenue sources to optimize the existing and identify the new and emergent revenue sources. Furthermore, there was a mixed reaction on the effectiveness of County Governments in conducting cost-benefit analysis before operationalizing new revenue sources, ensuring that the cost of collection does not exceed the revenue generated.

Additionally, there was strong sentiment among respondents that County Governments are committed to improving their resource mobilization strategies and revenue generation practices in the future. The effort to enhance revenue streams is seen as vital for maintaining and expanding County service delivery. There are plans in place to enhance revenue mobilization by the Counties. To meet the current budget demand, there was a consensus amongst the respondents on the mobilization of resources from external sources including grants and loans. In terms of revenue collection, it was

confirmed that County Governments are successful in establishing revenue goals though have not been consistently attained.

The study confirmed the establishment of functions within the County Governments for enforcement of revenue collection. There was a strong opinion disagreeing with the effectiveness of outsourced revenue collection, though a segment of respondents view outsourcing as beneficial for increasing revenue collections, others did not share a similar view. There was a general acknowledgement that County Governments have established systems for managing County revenues. However, there was some degree of skepticism regarding the efficiency and effectiveness of these systems. The respondents believed that the existing systems do not fully ensure the efficient management of County revenues. There was a positive sentiment towards automation of revenue collection processes, it was held that a system of revenue administration positively influences the performance of County Governments. Moreover, automation of revenue collection ensures accurate accounting and reporting of revenues from the identified sources.

However, despite this claim, it was indicated that while automation has benefits, better mechanisms are needed to assess the impact of these efforts more effectively. Additionally, it was confirmed training provided to the revenue collection staff is moderate, highlighting ongoing challenges related to staffing and resource allocation. Through inferential statistics, it was established that resource mobilization reforms and performance of County Governments were positively and significantly correlated. Additionally, it was found that the legal framework plays a crucial moderating role.

The study sets out to investigate the effect of resource allocation reforms on performance. It was observed that County Governments take into consideration both expected revenue collection and equitable shares from the national government during planning. Additionally, opinions were somewhat divided regarding whether budgetary allocations align with the priorities outlined in the Counties' multi-annual development plan. Furthermore, the study established a moderate confidence that budget planning significantly influences performance. Moreover, it was ascertained the effectiveness of budget planning process by the County Governments as a small portion of the respondents confirmed the presence of mechanisms for budget implementation, monitoring, and evaluation are in place. Most of the County Governments have not

implemented mechanisms to aid in monitoring and evaluation of budget implementations, however, for the Counties that have implemented this mechanism, respondents confirmed its effectiveness. There was a lack of frequent reviews by the County Governments to ensure that budgets are addressing the changing society's needs.

Furthermore, the presence of a budgetary monitoring committee was perceived by the respondents as positive, and the committees have always prepared and presented reports to County management for decision making. The effectiveness of the committee was affected by lack of timeliness in providing feedback on decision making. Additionally, it was confirmed that the County Governments' budget is executed in line with the County assemblies' approval, ensuring adherence to legislative oversight. There was a general view of the process of equitable resource allocation as fair even though not all respondents reported that strict criteria for resource allocation are consistently followed. Timeliness of resource disbursement was a concern to most of the respondents with fewer numbers, noting prompt allocation. Efforts to ensure regional balance and inclusiveness in budget formulation are also acknowledged by respondents and further the inadequate allocation of resources to emergencies or unforeseen opportunities.

It was further established that a moderate belief that County budgeting has been effective in ensuring regional balancing and adequate distribution of County resources across the various County functions. Through inferential statistics, it was established that resource allocation reforms and performance of County Governments were positively and significantly correlated. Furthermore, legal framework has did not have a moderating effect between resource allocation reforms and performance of County Governments in Kenya.

Regarding the third objective on audit reforms and performance of County Governments, there was a moderate belief on the effectiveness of County assemblies in overseeing implementation of County budgets. Respondents recognized the County assemblies' efforts to enhance efficiency, effectiveness, and legality in both the revenue collection and utilization. However, a compromise of the independence of the internal audit functions was established and the importance of this autonomy affirmed by the respondents and that Counties' oversight role has positive impact on service delivery. Regarding resourcing, respondents provided a mixed view of whether the internal audit

function is adequately funded. This indicates that while some resources have been allocated, there is a need for additional resources to strengthen the audit functions. Respondents further confirmed that County Governments have established audit committees, though there may be variability in its effectiveness and that audit findings are always presented to management for consideration. Respondents also recognize that the audit committee actively ensures the implementation of recommendations and contributes positively to the performance. Overall, the findings highlight the importance of a well-functioning audit committee and a strong, independent internal audit function in enhancing County Governments' performance and governance. The results of inferential statistics confirmed a positive and significant correlation between audit reforms, and the performance of County Governments and legal framework was found to have no moderating effect on this association.

Regarding the last objective of the study on public participation reforms and performance of County Governments, citizen attendance and participation in County Governments' affairs revealed a positive commitment to public engagement. County Governments have established public participation programs. It was also noted that a significant political will and commitment to incorporating public input, highlighting the government's dedication and value it places in public contributions. There is high attendance of public participation meetings as citizens are effectively and timely informed at the public participation meetings organized by County Governments. However, there were concerns that public participation does not always address key topics such as revenue sources and spending as thoroughly as it could. The respondent held the view that though there are strong efforts to establish and promote public participation, enhancing both engagement and the scope of discussions could further strengthen these initiatives.

Respondents were not convinced of the citizens' effectiveness in holding the Counties to account though respondents demonstrated understanding of their role in public participation. This was attributed to the absence of a clear channel and the lack of safeguards in place to ensure that citizens feel secure in presenting their views. Through inferential statistics, it was established that public participation reforms and performance of County Governments were positively and significantly correlated.

5.3 Conclusion

Based on the study's objective, the following conclusions were made from the research findings. Regarding the objective of the study, it is concluded that resource mobilization reforms significantly and positively affect performance of County Governments in Kenya, this effect is significantly moderated by the legal framework. Effective mobilization of local revenue is crucial for the operational success and expansion of County services. Own-source revenue is not sufficient to meet the needs despite the County Governments identifying diverse revenue streams. As a result, County Governments have had to depend significantly on the equitable share of revenue from the national government, as well as on funds raised through debt and grants.

It is further concluded that there are commitments by the County Governments to improve revenue mobilization, this was evident by strategies implemented by County Governments on revenue mobilization which were periodically reviewed. Further, prior to operationalization of the identified revenue sources, County Governments conducted cost-benefit analysis to ensure that cost incurred in revenue collection does not outweigh the revenue collected. Training provided to revenue collection staff was inadequate and a few Counties have considered outsourcing of revenue collection though established to be ineffective. Further, automation of revenue collection processes could lead to improvement in revenue collection, however, many Counties still lag on automation of revenue collection.

On the second objective, on resource allocation reforms and its impact on the performance of County Governments in Kenya, a notably positive and significant effect was established, and that legal framework has no moderating effect. The study makes conclusion that budgetary allocations are sometimes not aligned with strategic priorities as outlined in the Counties' development plans. Timeliness of resource disbursement remains a significant concern. Additionally, equitable allocation of resources is fair, and efforts have been exerted to ensure regional balance and inclusiveness. Overall, the study concludes that while resource allocation reforms positively influence the performance of County Governments, there are areas requiring further enhancement.

On the third objective, on audit reforms and its effect of performance on performance of County Governments, the study concludes, a positive and significant effect of audit

reforms on performance of County Governments, and that legal framework has no moderating effect. The study further concludes that County assemblies are effective in monitoring the implementation of County Governments' budgets. Further, it is concluded that independence of internal audit function is imperative. However, the study concludes that the independence of the internal audit function has been impaired affecting its performance. While the internal audit functions have been resourced, there was an indication that additional resources could strengthen their effectiveness. The findings also confirm the establishment of audit committees within County Governments as playing a proactive role in ensuring the implementation of internal audit recommendations.

On the last objective, public participation reforms and its effectiveness on performance of County Governments, the study concludes existence of positive and significant relationship, and that legal framework has no moderating effect. The study concludes the existence of a positive commitment by County Governments to public engagement. The involvement of citizen opinions in the management of public resources demonstrated improvement in accountability. However, though these programs have been put in place, the study concludes, agenda for discussions is provided by the Counties and on many occasions, they fail to address critical topics, such as revenue sources and spending, as thoroughly as they should. The study further concludes a moderate intervention by the public in holding the Counties for project delays or failures. Lastly, the study concludes, the absence of adequate safeguards to ensure that citizens feel secure in presenting their views.

Regarding the implications of the findings, this study contributes to the existing body of knowledge on performance of County Governments, theory and methodology.

The foundation of the conceptual framework was established through prior theoretical reasoning using New Public Management, Stakeholder and Resource-based theories as well as past empirical studies. Past studies that have adopted the New Public Management theory to explain particularly the performance of public institutions are still scarce. The findings of this study bring out the relevance of New Public Management Theory. According to the theory, a paradigm shifts in the management of public institutions towards a private sector style of management. It outlines a set of administrative policies that have been adopted in reform agendas across many

developed countries. Such policies include the application of private business-style leadership in the running of public entities, clearly outlining the vision and development of a strategic plan and performance management system that ensures the evaluation of implementation of strategic plan and ensure timely corrective actions, decentralization of government services.

From the findings of this study, it can be concluded that County Governments in the spirit of devolution have enhanced service delivery to the citizens and are in line, though not fully, with the principles highlighted by the theory. Though the theory has been criticized by several past researchers, its approach is still a viable hypothesis for explaining the desired style of management of public institutions.

Additionally, the outcomes of this study emphasize the relevance of the Stakeholder theory. According to this theory, emphasis is on interplay between the various parties in which their behavior and decisions can affect or be affected by a business, and they include the suppliers, customers, investors, staff, community among others. The theory argues that business should strike a balance between the various stakeholders and ensure that none derives benefits at the expense of another. In this study, public participants in the decision-making and budgeting processes of County Governments were viewed as key stakeholders. Public participation involves engaging the community in these processes to ensure their voices and interests are acknowledged. The study's findings revealed a significant relationship between public participation reforms and the performance of County Governments. This implies that public participants have influenced the operations of County Governments, underscoring the importance of the theory.

Relevance of the Resource-Based theory is further brought out in the current study. The theory posits that an organization's competitive advantage is dictated by the level of resources it possesses. The theory further argues that entity's resources provide the basis for developing firm capabilities, which can result in sustained superior performance over time. In the context of this study, reforms adopted in mobilization and allocation of County resources formed the basis of adoption of this theory. The study established an existence of significant effect of resource mobilization reforms and resource allocation reforms on performance of County Governments. According to theory, the capacity to mobilize resources effectively is a fundamental capability that

can lead to improved performance and aligns with the idea that how resources are utilized is critical to achieving better organization performance.

Study also makes significant contributions to the body of knowledge. Despite implementation of devolution particularly in developing countries and emphasis on management of public finance with the introduction of various strategies and reforms particularly, studies on the impact of these reforms still lags. During review of existing literature, only a few studies focusing on public finance management reforms were obtained. This study aimed to investigate the impact of various reforms specifically resource mobilization, resource allocation, auditing, and public participation on the performance of County Governments.

The findings indicated a significant positive effect of all these reforms on County Governments' performance. Conducting the study across different regions of the country enhanced the generalizability of the results, providing valuable insights into how these reforms influence governance and performance outcomes. Additionally, the research addresses the moderating role of the legal framework regarding the effects of these reforms on performance, highlighting a previously identified gap in the literature. Although the existing literature on this topic is limited, this study offers a foundation for future researchers in public finance management and the performance of County Governments.

The study has methodical contribution to examining the effect of public finance management reforms and performance of County Governments in Kenya. This study adopted a robust data analysis which included descriptive statistics upon which mode, mean and standard deviation was computed, diagnostic test of data which encompassed checking whether assumptions of regression analysis were met. The study further performed factor analysis to determine the underlying indicator of variables and confirmatory factor analysis to examine the validity or the underlying constructs. Structural equation modelling was further done to come up with path coefficients for the purpose of designing regression equations between the study variables. Consequently, this research provides methodological value by employing structural equation modeling to examine the impact of public finance management reforms on performance. Future research could benefit from utilizing advanced structural equation modeling techniques when investigating similar topics.

5.4 Recommendations

Based on the findings of this study, the following recommendations were made; The study recommends; Accelerate the implementation of automated County revenue collection systems. Develop and implement extensive training programs for revenue collection staff to enhance their skills and effectiveness Furthermore, Counties should improve and streamline the legal frameworks governing resource mobilization to better support County Governments and to continue to explore and develop a variety of own-source revenue streams. Additionally, the study recommends Counties to address issues related to delays in the disbursement of resources and ensure that budgetary allocations are consistently aligned with the strategic priorities outlined in County Governments development plans. Finally, promote transparency in how County resources are allocated and utilized as well as putting in place effective monitoring and evaluation mechanisms.

The study further recommends strengthening the independence of the internal audit function ensuring their operations are not interfered with. This independence can be enhanced through ensuring that the audit functions are adequately resourced in terms of skills and funding. Further, Counties to consider establishing a framework for operation and empower audit committees and develop and implement a robust system to track and monitor the implementation of audit recommendations. On public participation, the study recommends broadening of the scope of public participation topic to include critical issues affecting County service delivery such as revenue sources and spending. Moreover, Counties should consider implementing safeguards to ensure that citizens feel secure and protected when presenting their views during public participation. Lastly, Counties should develop mechanisms to ensure that public concerns and feedback are addressed and acted upon.

5.5 Recommendations for Further Research

This study recommends a similar inquiry into the reforms in public finance management reforms but considering secondary and longitudinal data. While the use of primary data in this study has provided valuable insights into public finance management reforms and the performance of County Governments, it is equally important to consider conducting similar research using secondary data sources. Utilizing secondary data can offer a broader perspective on trends and patterns over

time, as well as contextualize the findings within a larger framework of existing literature and data. Secondary data analysis can complement primary data findings by revealing longitudinal effects of reforms, benchmarking performance across different Counties, and identifying systemic issues that may not be evident through primary data alone. Integrating secondary data into future research efforts would enhance the robustness of the analysis, allowing for a more comprehensive assessment of public finance management and providing a richer basis for evidence-based recommendations.

Given the insights gained from examining PFMR and the performance of County Governments through the perspectives of Counties' staff, it is recommended to extend this research by incorporating the views of citizens as respondents. Incorporating citizen perspectives into the study would offer a more thorough understanding of how these reforms affect the broader population as they are the direct recipients of government services. Their feedback may reveal discrepancies between the staff's perceptions and the actual experiences of those affected by public finance management reforms. By including citizens' viewpoints, future research can offer a more balanced and nuanced analysis, potentially leading to more effective and citizen-centered reforms that address real-world concerns and enhance overall governance and service delivery.

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APPENDIX I
Letter of Introduction

Dear Sir/ Madam,

RE: Request for Participation in Provision of Data for Research

The researcher is doctoral student of Laikipia University, School of Business and Economics, conducting research on *"Public Finance Management Reforms and Performance of County Governments in Kenya"*. I am therefore requesting you to be one of the respondents to the attached instrument of data collection.

Be assured of anonymity and confidentiality of your responses and that they will solely be utilized for the purposes of this study.

Yours faithfully



Titus Kiplangat Kemboi
Reg. No. MDB35/4208/19

APPENDIX II

Questionnaire

PART A: BACKGROUND INFORMATION

1. Name of County Government.....
2. Job Title.....
3. Level of management in the County
 Top level management [] Middle level management []
4. Level of experience in County Government employment
 Less than 1 year [] 1 to 4 years [] 5 to 7 years [] More than 7 years []
5. Education level
 KCSE [] Certificate/Diploma [] Degree [] Masters [] Doctoral [] others
 (Specify)...

PART B: RESOURCE MOBILIZATION REFORMS

The following statements relate to resource mobilization reforms by the County Government. Kindly indicate appropriately the level of agreement with the statements.

Statements	SA	A	N	D	SD
County Revenue Sources					
1. County Government largely dependents on locally collected revenue from the identified revenue sources.					
2. The County own-source revenue streams have been identified and operationalized.					
3. The County Government continuously reviews its revenue sources to identify new and emerging revenue sources.					
4. The County Government conducts cost-benefit analysis on potential revenue sources before adoption to ensure that the cost of collection does not surpass the revenue generated.					
5. The County Government been successful in mobilizing resources from external sources such grants, loans, partnerships					
6. County Government has plans for improving resource mobilization and revenue generation in the future					
Revenue Collection					
7. The County Government has a function established to enhance and enforce revenue collection.					
8. There are targets set for local revenue collection established by the County Government.					
9. The revenue collection targets are always being attained.					
10. The County has outsourced revenue collection to ensure optimization of revenue collections.					
11. Outsourced revenue collection ensures an increased level of revenue collection.					

12. There are efforts to close budgetary deficits by the County government by enhanced revenue collection.					
13. The County Government has utilized borrowings to meet the budgetary requirements.					
14. The County Government regularly reviews revenue collection strategy to ensure revenue collection maximization.					
15. Revenue collection has a positive influence on County Government performance.					
Revenue Administration					
16. There is an established system of revenue administration in the County Government.					
17. The revenue administration system implemented by the County Government ensures efficient and effective management of County revenues.					
18. On matters of revenue mobilization, the County Government has adequately trained its employees in its revenue collection.					
19. Local revenue collection has been automated to guarantee the collection and proper accounting of all revenues from the identified sources.					
20. The County Government has implemented a mechanism for measuring effectiveness of resource mobilization effort.					
21. The system of revenue administration has a positive impact on County Government performance.					
22. Revenue mobilization efforts have a direct impact on the performance of the County Government					
23. County Government has put mechanism in place to manage revenue collection and ensure compliance					

PART C: RESOURCE ALLOCATION REFORMS

The following statements relate to resource allocation reforms at the County Government. Kindly indicate appropriately the level of agreement with the statements.

Statements	SA	A	N	D	SD
Budget planning					
1. There is extensive consultation in the process between County Government departments in preparation of the County budgets.					
2. The budget planning process considers both expected revenue collection and the equitable shares allocated by the national government.					
3. Budgetary allocations are based on priorities in the County multi-annual development plan.					
4. County Government has its own guidelines for the County Government development and recurrent plans in its budgets.					

5. Budget planning influence County Government performance to a great extent.					
6. Budget planning process is effective.					
7. The County Government frequently reviews budget to address society's needs.					
Budgetary control					
8. A mechanism for budget implementation, monitoring and evaluation is in place.					
9. The monitoring mechanism implemented is an effective budget monitoring tool.					
10. The monitoring mechanism in place provides timely feedback useful in making necessary adjustments on time.					
11. There is an established budgetary monitoring committee tasked with periodic feedback on budget performance.					
12. There are reports prepared and presented to management by the budgetary committee on budget performance.					
13. The County budget is executed in accordance with the approval of the Assembly, and any modifications to the budget require prior concurrence from the County assembly.					
14. The resource allocation has a direct impact on the performance of the County Government.					
Equitable resource allocation					
15. The allocation of resources within the County Government is conducted fairly.					
16. The County Government has established a criterion adopted during resource allocation that is strictly adhered to.					
17. There is timely disbursement of resources to various departments in County.					
18. There are funds allocated to cater for emergencies or opportunities.					
19. County Government allocates based on projects and programs anticipated to be executed.					
20. County budget formulation has ensured regional balancing					
21. Resource allocation has considered various departments in the County.					

PART D: AUDIT REFORMS

The following statements relate to audit reforms in the County Government. Kindly indicate appropriately the level of agreement with the statements.

Statements	SA	A	N	D	SD
County assembly oversight					
1. The County Assembly monitors the County Government implementation of budgets.					
2. The County Assembly has legislated on policies aimed at improving the County Government performance.					

3. County assembly has enhanced efficiency, effectiveness and lawfulness in the collection and application of public funds.					
4. County Assembly conducts regular assessments to ensure effectiveness and efficiency in the execution of projects and programs.					
5. Oversight has contributed to improving governance and service delivery at the County level.					
Independent audits					
6. There is independence of internal audit function in the County.					
7. Internal audit function has adequately been resourced.					
8. The findings of the audit are being presented to County Government management.					
9. The independent assessor has issued recommendations that are pertinent to the performance of the County Government.					
10. Internal audit is effective in ensuring improved County performance.					
11. Internal audit function issues practical and implementable recommendations.					
12. An independent audit has led to improved level of accountability in the County Government.					
Audit committee					
13. Audit committee has been established in the County.					
14. Audit committee have understanding/qualifications in finance.					
15. The Audit committee meets regularly at least once in four months to discuss audit reports and other matters pertaining to internal audit.					
16. Audit reports are prepared in a timely manner.					
17. The reports are accessible to all citizens.					
18. The audit committee ensures that internal audit recommendations are implemented.					
19. The establishment of the audit committee has affected the performance of the County.					
20. County Government performance has been affected by the independence of internal audit function					

PART E: PUBLIC PARTICIPATION REFORMS

The following statements relate to public participation reforms by the County Government. Kindly indicate appropriately the level of agreement with the statements.

Statements	SA	A	N	D	SD
Citizen attendance and participation					
1. There are public participation programs established by the County Government.					

2. There is adequate mobilization to ensure attendance and participations					
3. There is sufficient political will and commitment to public input.					
4. Citizens have always attended public participation meetings in large numbers.					
5. For majority of public finance management meetings, the citizens have been informed on time.					
6. The County actively promotes interactive public participation and conducts social impact assessments to consider the interests of all stakeholders involved.					
7. Public participation has covered topics on revenue sources, allocation, and spending.					
8. Citizens understand the importance of public participation.					
9. Citizens actively participate by giving their views.					
Public empowerment					
10. The public holds the County Government accountable for projects that have not been implemented, experienced delays, or failed to meet established standards.					
11. Citizens have been empowered to understand their role in management of public finances at the County Government.					
12. Effective public participation provides solutions to the complicated budget and fiscal dilemmas and encourages good governance					
13. Public participation limits the amount of time spent thus creating and effectively managing capital resources					
Citizen Influence					
14. There is recording of citizen views during citizen involvement programs by the County official.					
15. Citizens have been provided with safeguards to freely present their views.					
16. Citizens have always raised valid concerns on matters affecting County performance					
17. There are meetings organized by County officials to discuss the citizen views.					
18. The County Government considers citizen perspectives on the mobilization and allocation of public finance during its decision-making processes.					
19. Lack of consideration of citizen views may/has result in the embezzlement of County resources.					
20. Public participation has led to improved level of performance by the County Government.					

PART F: LEGAL FRAMEWORK

The following statements relate to the legal framework at the County Government. Kindly indicate appropriately the level of agreement with the statements.

Statement	SA	A	N	D	SD
Existence and Sufficiency					
1. The laws regulating public financial management in the County are rooted in the constitution and other relevant regulations.					
2. There are explicit rules that define and support public finance management within the County Government.					
3. The existing regulations are sufficient and no area in the County Government that is not governed by regulations.					
Compliance and Implementation					
4. The County Government complies with public finance regulation laws.					
5. Legal framework provides for adequate reprisal to individuals who fail to adhere to the set regulations.					
Effectiveness and Impact					
6. The legal framework has minimized wastages, misapplication, and embezzlement of public resources.					
7. The legal framework has aided in ensuring an increase in the County Government equitable share of revenue from the national government.					
8. The regulations have limited the County Government's access to debt through the setting of County debt ceiling.					
9. The County Government's management is motivated to report positive performance, driven by concerns about the potential repercussions of disclosing poor performance.					
10. Legal framework affects County Government performance.					

PART G: PERFORMANCE OF COUNTY GOVERNMENT

The following statements relate to the performance of County Government. Kindly indicate appropriately the level of agreement with the statements.

Statements	SA	A	N	D	SD
Operating surplus/deficit					
1. The County has been able to raise sufficient revenue to meet its operational needs.					
2. The County has management costs related to revenue collection.					
3. The County Government has reported growth in revenue collection in the last five years.					
4. There is budgetary deficit in County Government					

5. The budgetary deficit has been reduced in the last five years					
6. The County has borrowed funds to meet the funding gap.					
Budget absorption rate					
7. The County utilizes funds as designated and cannot redirect them to other projects or programs, even if new opportunities arise.					
8. All collected revenue has been allocated to various projects and programs, with no remaining unspent resources.					
9. The County is making efforts to ensure that budgetary allocations are fully utilized.					
10. Residents are satisfied with how public resources are being allocated and spent.					
11. County Government resources are being used effectively for developmental projects.					
Compliance to pre-set expenditure limit					
11. Thirty percent of the total expenditure is allocated to development expenses.					
12. The County wage bill does not surpass thirty-five percent of the County Government's total revenue.					
13. The County Government's expenditure does not exceed its total revenue.					
14. The County Government's borrowings are used exclusively to finance development expenditure and are not allocated for recurrent expenses.					
15. The County's debt is kept at or below fifteen percent of the County Government's total revenue.					
Pending bills					
16. Over the past five years, the pending bills in the County Government have been increasing.					
17. There are long unpaid suppliers in the County Government					
18. There are delays in County loan repayments					
19. The County has been issued with demand notices by the lenders.					
20. In the last five years, the County Government has been increasingly improving performance.					
21. The reforms in public finance management have led to improved level of performance in the County Government.					

THANK YOU FOR YOUR PARTICIPATION

APPENDIX III
Informed Consent Sample Form

Research Title: Public Finance Management Reforms and Performance of County Governments in Kenya

Introduction

You are invited to participate in a research study conducted by ...**Titus Kiplangat Kemboi**... from ...**June to December 2024**.....

Before you decide whether to participate, please read the following information carefully. If you have any questions, feel free to ask.

Purpose of the Study

The purpose of this research is to examine the effect of public finance management reforms on performance of County Governments in Kenya. The study specifically seeks to examine public finance management reforms, including revenue mobilization, allocation, audit, and public participation reforms.

Procedures

- You will be asked to answer a questionnaire and provide honest and correct answers.
- The estimated time commitment is approximately ...15.... minutes.
- Your participation is voluntary, and you can withdraw without penalty.

Risks and Benefits

Benefits: The research aims to provide insights for crafting policies concerning public finance management and county governance in Kenya. Participants in the study stand to gain from this effort, as it aims to improve the efficiency of county administrations, thereby enhancing service provision to the public.

Risks: Identity disclosure- Participant identities and any related information will remain confidential and undisclosed.

Data Collection and Storage

- We will collect data through mixed-method research to combine quantitative and qualitative approaches to gather numerical data on prevalence and in-depth insight.
- Your data will be stored securely and confidentially.
- We may use your de-identified data for future research or publication.

Confidentiality

- Your participation will remain confidential.
- Only authorized researchers will have access to your data.

Contact Information

If you have any questions or concerns, please contact:

- Email: kiplangatkemboy@gmail.com
- Phone; +254721222498

Consent

By signing below, you acknowledge that you have read and understood the information provided. Your participation is entirely voluntary, and you can withdraw at any time.

Participant Signature Date

Researcher signature Date

APPENDIX IV

Laikipia University Graduate School Authorization Letter

LAIKIPIA



UNIVERSITY

P.O. Box 1100-20300,
NYAHURURU,
KENYA

TEL: +254-(0) 20 2671779, 20-2671771;
Cell: +254 0729285902, 0729281902
bpgs@laikipia.ac.ke; www.laikipia.ac.ke

OFFICE OF DIRECTOR GRADUATE SCHOOL

REF: MDB35/4208/19

27th May, 2024

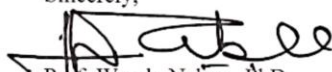
TO WHOM IT MAY CONCERN

RE: KIPLANGAT KEMBOI TITUS – REG. MDB35/4208/19

The above mentioned is a Postgraduate student of Laikipia University undertaking a **Doctor of Philosophy** (Business Administration) degree under the Department of Commerce, School of Business and Economics. His Research Proposal entitled, **PUBLIC FINANCE MANAGEMENT REFORMS AND PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA**, has been Examined and Accepted by the Board of Graduate School and is hereby authorized to conduct his research.

Any assistance accorded to him will be highly appreciated.
Thank you.

Sincerely,


Prof. Wendo Nabea, PhD
DIRECTOR

Vision: A University for Valued Transformation of Society

Mission: To serve students and society through research, education, scholarship, training, innovation, outreach and consultancy

Laikipia University is to ISO 9001:2015 and ISO/IEC 27001:2013 Certified



APPENDIX V

Institutional Ethics Review Committee Authorization Letter

LAIKIPIA

P.O. Box 1100-20300,
NYAHURURU,
KENYA



UNIVERSITY

TEL: +254-(0) 20 2696596;
Cell: +254 713-552761/
lu-ierc@laikipia.ac.ke; www.laikipia.ac.ke

INSTITUTIONAL SCIENTIFIC ETHICS REVIEW COMMITTEE

Ref: LU/APP/091/2024

17th July, 2024

Titus Kiplagat Kemboi
P. O. Box 2185-20200,
KERICHO

Dear Mr. Titus K. Kemboi,

Re: Public Finance Management Reforms and Performance of County Governments in Kenya

This is to inform you that Laikipia University Institutional Scientific Ethics Review Committee (LU-ISERC) has reviewed and approved your above research proposal. Your application approval number is LU/APP/091/2024. The approval period is 17th July, 2024 – 16th July, 2025.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including (informed consents, study instruments, MTA) will be used;
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by Laikipia University Institutional Scientific Ethics Review Committee;
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to Laikipia University Institutional Scientific Ethics Review Committee within 72 hours of notification;
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to Laikipia University Institutional Scientific Ethics Review Committee within 72 hours;

Page 1 of 2

Vision: A University for Valued Transformation of Society

Mission: To serve students and society through research, education, scholarship, training, innovation, outreach and consultancy



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- v. Clearance for export of biological specimens must be obtained from relevant institutions;
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal and
- vii. Submission of an executive summary report within 90 days upon completion of the study to Laikipia University Institutional Scientific Ethics Review Committee.

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

Yours sincerely




Prof. Mbuthia Njoroge PhD

Chairman - Laikipia University Institutional Scientific Ethics Review Committee

Page 2 of 2

Vision: A University for Valued Transformation of Society






Mission: To serve students and society through research, education, scholarship, training, innovation, outreach and consultancy



Laikipia University is ISO 9001:2015 and ISO/IEC 27001:2013 Certified



APPENDIX VI
NACOSTI Research License

 <p align="center">REPUBLIC OF KENYA</p>	 <p align="center">NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>
<p>RefNo: 686093</p>	<p align="right">Date of Issue: 02/July/2024</p>
<p>RESEARCH LICENSE</p>	
	
<p>This is to Certify that Mr. Titus Kiplangat Kemboi of Laikipia University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Bomet, Garissa, Kiambu, Kisii, Nairobi, Taita-Taveta, Turkana on the topic: PUBLIC FINANCE MANAGEMENT REFORMS AND PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA for the period ending : 02/July/2025.</p>	
	<p align="center">License No: NACOSTI/P/24/37109</p>
	
<p align="center">Applicant Identification Number</p>	<p align="center">Director General</p>
	<p align="center">NATIONAL COMMISSION FOR</p>
	<p align="center">SCIENCE, TECHNOLOGY & INNOVATION</p>
	<p align="center">Verification QR Code</p>
	
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	
	<p align="center">See overleaf for conditions</p>

APPENDIX VII

County Governments Development Budget Execution Report for the FY 2022/2023

Regional Economic Bloc	County	Development Budget Ksh. 'M'	Development Expenditure Ksh. 'M'	Absorption Rate (percent)
Coast Region Economic bloc	Kilifi	5,420.29	3,355.06	61.9
	Kwale	4,868.21	2,950.19	60.6
	Taita/ Taveta	2,197.01	1,261.05	57.4
	Lamu	1,366.43	763.51	55.9
	Mombasa	4,131.59	2,183.64	52.9
	Tana River	2,511.27	1,288.96	51.3
South-Eastern Kenya Economic bloc	Makueni	3,278.76	2,537.37	77.4
	Kitui	3,643.15	2,129.55	58.5
	Machakos	3,766.36	1,600.08	42.5
Frontier Counties Economic bloc	Mandera	4,286.08	3,656.65	85.3
	Samburu	2,184.83	1,837.44	84.1
	Wajir	3,109.23	2,377.74	76.5
	Marsabit	3,798.97	2,698.78	71
	Isiolo	2,083.19	1,462.41	70.2
	Garissa	2,813.92	1,597.33	56.8
Mt. Kenya & Aberdares Economic bloc	Nyeri	2,291.54	1,718.40	75
	Kirinyaga	2,185.06	1,609.99	73.7
	Nyandarua	2,274.98	1,673.14	73.5
	Meru	3,716.32	2,640.93	71.1
	Tharaka Nithi	1,316.77	914.06	69.4
	Muranga	2,942.06	2,037.80	69.3
	Laikipia	1,833.28	1,225.93	66.9
	Embu	2,191.72	1,223.44	55.8
	Nakuru	8,339.09	3,008.13	36.1
	Kiambu	4,587.82	1,212.26	26.4
North Rift Economic bloc	West Pokot	2,464.03	2,193.11	89
	Uasin-Gishu	4,514.71	3,218.77	71.3
	TransNzoia	3,309.33	2,138.90	64.6
	Baringo	3,888.73	2,432.72	62.6
	E-Marakwet	2,264.90	1,390.64	61.4
	Turkana	5,880.28	3,318.04	56.4
Lake Region Economic bloc	Kericho	2,628.29	2,190.79	83.4
	Nandi	2,398.28	1,969.44	82.1
	Homa Bay	3,095.42	2,474.76	79.9
	Vihiga	1,937.00	1,464.63	75.6
	Kakamega	4,859.70	3,657.54	75.3
	Nyamira	2,185.41	1,393.94	63.8

	Busia	2,439.18	1,257.07	62.9
	Bungoma	4,445.88	2,734.12	61.5
	Migori	3,103.11	1,690.15	54.5
	Siaya	2,827.00	1,520.28	53.8
	Kisumu	3,562.16	1,808.50	50.8
	Bomet	3,033.28	1,533.35	50.5
	Kisii	3,303.76	457.82	13.9
Unclassified classified	Kajiado	3,192.25	2,411.57	75.5
	Narok	4,827.66	3,149.84	65.2
	Nairobi	9,243.95	4,610.46	49.9
	Overall	160,542.25	97,980.28	61

Source: Controller of budget: <https://cob.go.ke/reports/consolidated-County-budget-implementation-review-reports/>

APPENDIX VIII
Communalities of the Retained Factors

Retained Communalities	Initial	Extraction
AC1-Audit committee has been established in the County.	1.000	.801
AC3-Audit committee meets regularly at least once in four months to discuss audit reports and other matters pertaining to internal audit.	1.000	.799
IA6-Internal audit function issues practical and implementable recommendations.	1.000	.784
IA5-Internal audit is effective in ensuring improved County performance.	1.000	.724
AC8-County Government performance has been affected by the independence of internal audit function	1.000	.750
IA4-The independent assessor has issued recommendations that are pertinent to the performance of the County Government.	1.000	.700
AC6-Audit committee ensures that internal audit recommendations are implemented.	1.000	.702
IA7-Independent audit has led to improved level accountability in the County Government.	1.000	.715
AC5-The reports are accessible to all citizens.	1.000	.776
RC9-Revenue collection has a positive influence on County Government performance.	1.000	.845
CRS3-The County Government continuously reviews its revenue sources to identify new and emerging revenue sources.	1.000	.752
CRS5-The County Government has been successful in mobilizing resources from external sources such as grants, loans, partnerships	1.000	.790
CRS2-The County own-source revenue streams have been identified and operationalized.	1.000	.726
CRS4-The County Government conducts cost-benefit analysis on potential revenue sources before adoption to ensure that the cost of collection does not surpass the revenue generated.	1.000	.741
RA5-County Government has implemented a mechanism for measuring effectiveness of resource mobilization effort.	1.000	.714
RA1-There is an established system of revenue administration in the County Government.	1.000	.728
RA3-On matters of revenue mobilization, the County Government has adequately trained its revenue collection employees.	1.000	.742
ERA3-There is timely disbursement of resources to various departments in County.	1.000	.781
BC5-There are reports prepared and presented to management by the budgetary committee on budget performance.	1.000	.848

BC4-There is an established budgetary monitoring committee tasked with periodic feedback on budget performance.	1.000	.781
ERA4-There are funds allocated to cater for emergencies or opportunities.	1.000	.811
ERA2-County resource allocation criterion is strictly adhered to.	1.000	.804
BP6-Budget planning process is effective.	1.000	.787
BC1-A mechanism for budget implementation, monitoring and evaluation is in place.	1.000	.768
BC7-The resource allocation has a direct impact on the performance of the County Government.	1.000	.753
BP3-Budgetary allocations are based on priorities in the County multi-annual development plan.	1.000	.744
CI4-There are meetings organized by County officials to discuss the citizen views.	1.000	.784
CI2-Citizens have been provided with safeguards to freely present their views.	1.000	.700
CI3-Citizens have always raised valid concerns on matters affecting County performance	1.000	.724
CAP7-Public participations have covered topics on revenue sources, allocation, and spending.	1.000	.785
CAP8-Citizens understand the importance of public participation.	1.000	.730
COI2-The County Government fully complies with provisions of all relevant financial laws and regulations that guide daily operations	1.000	.796
EI3-The regulations have limited the County Government's access to debt through the setting of County debt ceiling.	1.000	.879
EI5-Legal framework affects County Government performance.	1.000	.862
COI1-The County Government adheres to the public finance regulation laws.	1.000	.740
OSD1-The County has been able to raise sufficient revenue to meet its operation needs.	1.000	.746
BOR4-There is satisfaction with the residence in the way public resources are being spent.	1.000	.710
CEL3-The County Government's expenditure does not exceed its total revenue.	1.000	.841
OSD2-The County has management costs related to revenue collection.	1.000	.769
BOR1-The County spends funds as allocated and cannot be diverted to any other project/program even if an opportunity present itself.	1.000	.705
CEL5-The County's debt is maintained does not exceed fifteen percent of the County Government's total revenue.	1.000	.722

Extraction Method: Principal Component Analysis.