

Journal of Finance and Accounting



ISSN Online: 2616-4965

 **Stratford**
Peer Reviewed Journals & books

Effect of Budgeting Practices on Financial Performances of County Governments in Kenya

***¹David A. Sande, Dr. Kennedy Okiro, Dr. Joshua Wanjare
& Dr. Nixon Omoro**

ISSN: 2616-4965

Effect of Budgeting Practices on Financial Performances of County Governments in Kenya

^{*1}David A. Sande, ²Dr. Kennedy Okiro, ³Dr. Joshua Wanjare & ⁴Dr. Nixon Omoro

¹Student, Department of Accounting and Finance, University of Nairobi

^{2,3,4}Department of Accounting and Finance, University of Nairobi

*Email of corresponding author: dabwaos@yahoo.com

How to cite this article: Sande, D., A., Okiro, K., Wanjare, J. & Omoro M. (2023). Effect of Budgeting Practices on Financial Performances of County Governments in Kenya. *Journal of Finance and Accounting*. Vol 7(5) pp. 62-77. <https://doi.org/10.53819/81018102t30103>

Abstract

The study aimed to determine how budgeting practices influence the financial performance of county governments in Kenya. The research was anchored on the public budget theory, which provides a framework for understanding how budgeting practices can affect the financial performance of county governments. The research adopted a pragmatism research philosophy and utilized an ex-post facto research design. The target population consisted of the 47 county governments in Kenya, and the study selected the controller of budget from each county as the respondents. The pilot study involved two counties, which were not included in the final study. A questionnaire was used to collect primary data, and the response rate achieved was 95.56%. The study employed both inferential and descriptive statistics, performing regression and correlation analysis. The findings of the study indicated that budgeting practices have a positive and significant effect on the financial performance of county governments. The regression analysis revealed a significant relationship between budgeting practices and financial performance ($R^2=0.437$, $F=8.102$, $p=0.000$). Based on the findings, the study concluded that budgeting practices positively and significantly affect the financial performance of county governments in Kenya. The study recommends that county governments adopt appropriate budgeting practices, including budget planning, budget coordination, budget evaluation, and budget reporting, among others, to improve their financial performance.

Keywords: *Budgeting Practices, Financial Performances, County, Governments, Kenya*

1.0 Background of the Study

Budgeting practices play a crucial role in monitoring progress, predicting cash flows, and controlling spending for governmental, profit, and non-profit organizations (Raghunandan et al., 2012). The adoption of effective budgeting practices is essential for ensuring that budget plans contribute to financial improvement within an organization (Marino & Matsusaka, 2005). Budgeting practices aim to estimate revenue and expenditure for a given year, deliver services efficiently to citizens, and improve the financial performance of organizations (Uyarra et al., 2020). The effectiveness of budgeting practices is enhanced by stakeholder participation, which can be achieved through the utilization of modern communication tools such as websites, WhatsApp, e-mails, Twitter, and Facebook (Scott & Enu-Kwesi, 2018). Furthermore, budgeting practices are significant predictors of financial performance in organizations that have implemented digital or automated revenue collection systems (Gideon & Alouis, 2013). Manual revenue collection systems, on the other hand, have been known to create loopholes for revenue leakages, thereby constraining the financial performance of many organizations (Denair et al., 2011).

Budgetary practices are sets of procedures and approaches used to accomplish the budgeting process (CIMA 2007). According to Miller, Hildreth, and Stewart (2019), budgeting practices refer to the procedures, guidelines, and principles used in preparing budget estimates for an institution. Yang (2010) further defines budgeting practices as the process of preparing, agreeing, and converting organizational goals into clear, feasible plans against available financial resources. Pere et al. (2015) define budgeting practices as the first steps in enhancing the accountability of public finances and prudent utilization through the use of well-prepared budgets. There is still no consensus on the definition of budgeting practices among authors. This study will adopt the definition of budgeting practices as embedded in the Constitution of Kenya (2010), which integrates four main activities: planning practices, approval practices, implementation practices, and evaluation practices. Budgeting practices encourage the setting of goals, clear policies, and plans for achieving business goals through efficient resource allocation (NACSLB 1999). Budgeting practice contributes to the development, summary, understanding, and evaluation of plans for providing services and capital assets (NACSLB 1999). Budgeting practices are classified according to the different phases of the budgeting process, namely: budgeting techniques in the preparation phase, practices in the approval stage, methods in the execution phase, and methods in the analysis or audit phase (Cruz-Castro & Sanz-Menéndez 2016). In public budgeting, budgeting practices have significant implications for public managers, citizens, and scholars in order to provide adequate solutions to the public (Brady & Volden 2018).

The spending plans specified as the means a company sets about in building its budget from the start up until completion of a financial year. This essentially describes the different phases and also activities thereof taken on by an entity in preparing and also executing its budget in every fiscal year. Budgeting practices are an important procedure in all companies and are utilized as a tool for improving performance in a company (NACSLB, 1999). Budgeting practices encourage the setup of organizational objectives policies and the roadmap for achieving the objectives set via source allocation. According to NACSLB (1999), budgeting practices also take into focus on measuring of efficiency to assess the achievements made with the scarce sources. Minja (2019) holds relatively comparable view that effective budgeting practices guarantee resources for public use as promised in order to ensure optimal favourable end results. Given that budgeting is a

seniority concept, interest has actually been directed on enhancing planning and also budgeting exercise with a focus on the public field.

The campaign to strengthen budgeting practices has its beginnings from vital global bodies such as United Nations, International Monetary Fund, World Financial Institution and United State Agency for International Development. All these bodies are interested in encouraging nations throughout the globe to boost their budgeting techniques in order to improve on solution distribution (Siyانبola, 2013). All these initiatives show the value of budgets as an administration device and the demand to guarantee that budgeting practices are enhanced. Budgeting practices are classified into four groups namely, planning, approval, budget implementation and budget evaluation practices (PBO, 2017). Budgeting practices is characterised by essential four features namely: integration of long term plans, establishment of policies, planning for cash flows, resource allocations, control of expenditures and employee's motivations (NACSLB, 1999). According to Cruz-Castro and Sanz-Menéndez (2016), used budget committees, budget reviews, time period of strategic plans, frequency of variance analysis, role monitoring and audit reports while Uyar and Bligin (2011), employed composition of budget committee, software used in budgeting, budget review reports and motivational aspects. Different scholars have used different methods to measure budgeting practices. The study applied integration of long term plans, planning for cash flows, resource allocations, Budget approvals, control of expenditures, budget evaluations and audit as supported by (NACSLB, 1999).

1.1 Statement of the Problem

Budgeting practices ensure that resources managed by the organization are used as planned by management to optimize benefits from such resources (Pere et al., 2015). Although budgeting practices are crucial for resource optimization and enhancing financial accountability, significant challenges persist in county governments' budgeting practices in Kenya (Pere et al., 2015; PBO, 2017). These challenges encompass poorly defined budgeting practices (Okotchi et al., 2020). The absence of well-defined budgeting practices, combined with limited public participation, impedes effective financial monitoring and can result in fund wastage or uncertainties (Raghunandan et al., 2012; Beuermann & Amelina, 2014). Additionally, the methods of revenue collection impact budgeting practices since the revenue generated considerably affects financial performance and development (Asimiyu & Kizito, 2014; Arogundade & Barsoum, 2008). Problems identified within county governments in Kenya, such as payment delays, stalled projects, inadequate development records, budget deficits, low budget absorption rates, corruption, and inefficiencies in revenue collection systems, underscore concerns about the actual effectiveness of budgeting practices (Okotchi et al., 2020; Chepkorir et al., 2021; Mandala et al., 2020; IBP, 2014). Furthermore, existing research on budgeting practices and financial performance in county governments remains inconclusive and fails to bridge certain knowledge gaps. These gaps involve distinguishing the impact of budgeting practices, processes, and budgetary control on financial performance (Kerich, 2015; Okotchi et al., 2020) and understanding that the success of budgeting practices is influenced by various variables and contextual factors (Okotchi et al., 2020). Thus, this study seeks to bridge these research gaps by examining the relationship between budgeting practices and the financial performance of county governments in Kenya.

1.2 Objective of the Study

To establish the effect of budgeting practices on financial performances of county governments in Kenya.

2.0 Literature Review

This section presents the theoretical review, empirical review and the conceptual framework.

2.1 Theoretical Review

The anchoring theory of the study was the Public Budget Theory. Public budget theory was put forward by Henry Adams in 1985. The theory explains the social motivation as to why governments are involved in budgeting process (Robis, 1990). Budget theory gives the justification for the development of budgeting concept and highlights the metamorphosis of budgeting concepts from a mere tool for giving direction to a complex managerial instrument which focus on service delivery and organizational performance (Minja, 2019). The theory provides a clear picture through which researcher view budgeting practices as a tool for influencing organizations in terms of financial accountability and performance. (Bartle, 2008). Public budget theory has not been without critics (Lewis, 1952). According to Pfeffer (1992), the public budget theory has so far been incomplete because it has provided only partial answers to how and when of public budgeting questions. It has provided only some helpful descriptions of budgeting without adequately addressing why governments do budgets the way they do. Public budget theory was developed along some intellectual lines of theories of public administration and it has played with some theoretical and practical problems that affect public administration (Lewis, 1952). According to Koven, (1999), budget theory is linked to political attitude about the role of governments, approaches and outcome of budgeting process.

Because politics and values have not been adequately addressed in public budget theory, the effect of the dualistic separation of politics and administration is patently evident in public budgetary process. The consequence of this is that efficiency and priorities of budgeting is missed (Sinder, 2000). White (1994) supported the theory while noting that budgeting is the process of providing governance with monetary inputs for its activities. This theory emphasis that budgeting can still be imbued with some degree of instrumentality because it is a core government's activity, the central tool of policy and public administration (Gibran & Sekwat, 2009). Authors suggest that budgeting theory should always be cognizant of how individuals behave, their location, functions and interactions with the larger system (Gibran & Sekwat, 2009). Further that the theory should first address the macro and micro context of budgeting. It should view the budget only as the outcome of a dynamic system of multiple rationalities which operate in diverse parts of budgeting process. It was relevant in order to simplify the understanding of the real world in public budgeting practices, why and when county government's budgets are done. Thus, the theory was useful in informing the proper budgeting practices to guide the use of funds in county governments and how budgeting practices will affect the financial performance of the respective counties.

2.2 Empirical Review

Siyanbola et al. (2013) investigated the impact of budgetary control and budgeting on performance using descriptive research design. Budgeting was found to be a useful in guiding firms fund allocation against the desired firm objectives. The study focused on manufacturing firms in Nigeria. Budgeting needs in manufacturing firms may differ from governance entities like county governments. Bolter in 2005 conducted a survey to determine the extent of use and effectiveness of budgeting practices used by state governments of USA. The results indicated that the state governments of USA are making use of sophisticated budgeting practices. Further that a higher percentage of states that use sophisticated budgeting practices are effective in their financial

performance. Mbogo et al. (2021) conducted a study to determine the effect of budgeting practices on financial performance of manufacturing small and medium enterprises in Nairobi.

Okotchi, et al. (2020) while focusing at county governments in Kenya determined the effect of budgetary process on their performance. It was found that budgetary control and process led to county governments' financial performance. The study was not explicit on how financial performance of county governments was measured, this study measures using own revenue collected and therefore offers a conceptual gap. The debate on budgeting practices on financial performance on organizations has not been quite settled. Most of the available studies in this area have a mixed of concepts of budgeting practices, budgetary controls and budgetary controls on financial performance of organizations. It is also notable, that the success of budgeting practices on financial performance of organizations depends on other variables and also within a range of other contextual factors such as the political system and fiscal environment (Okotchi, et al., 2020). Moreover, most of the local studies have been conducted before the promulgation of the new constitution in Kenya, which to a large extent has changed the budgeting and financial in public entities (Serem, 2013).

Wokas and Gerungai (2019) explored factors that influence public participation during budgeting making process in Nandi County, Kenya. The CoK (2010) gives prominence importance of participation of public and builds democracy by giving citizens the chance to participate in processes of making key decisions that affect them and their societies. Accordingly, public participation entails coming together, discussing and critiquing matters of public interest, sharing information and putting ideas together with aim of coming up with acceptable and better decision that is acceptable by majority of the participants. Non- involvement of citizens in public budgeting process may lead to situations whereby projects and programs do not make positive impact on the citizenry as intended in the budget to international Budget partnership, (2015), civil society cannot monitor the design and execution of budget policy without a comprehensive budget plan and formal oversight institutions. Descriptive survey design was adapted with CBO officials, CBOs members and officials from Nandi department of economic planning were the respondents. Public participation plays critical role in budgeting making process.

Akinyi and Oima (2019) investigated how public participation influences the implementation of budgets by focusing at Nairobi, Kisumu and Mombasa counties. Most of the studies have focused in developed regions as USA and Malaysian. Budgeting tends to differ based on context and the level of orientation. The few available local studies have not provided empirical information on how other aspects of public participation such as feedback from executive, feedback from legislature, audit reports, and information collections influences the quality of budgeting practices and financial performance of public entities (Akindele et al., 2012). Ex post facto descriptive design was employed to establish the effect of Public Finance Management Reforms (PFMR) on the implementation of budgets. It was found that public participation has a positive and significant effect in the implementation of budgets. However, the study contrasts current study that attempts to investigate effect of public participation on performance of counties.

Stuart et al. (2015) assessed the impacts of budgeting on the financial performance of selected production firms within the Kinondoni District of Dar es Salaam. A detailed study design was utilized, and 75 participants from the selected manufacturing organizations were included. It was discovered that the formal budgeting preparation exhibited significant impact on financial performance. This plan notably affected the growth of sales of manufacturing institutions more so

than the formal financial control. Charles (2018) investigated the effect of budget planning on the economic activities of retail businesses in Kenya. The research adopted a survey research approach and determined that some employees of the retail services were unaware that budget planning was an exercise in their venture. Consequently, their performance was susceptible to operational risks and inaccuracies. Pimpong and Laryea (2016) conducted a study on the impact of budget planning on the financial tasks of manufacturing companies in Ghana. The study embraced a quantitative research strategy and noted that budget planning influenced the efficiency of these organizations to a large extent. In addition, there was a comprehensive organizational strategy on finance, established guidelines and schedules for financial planning, and the top management's role in reducing waste of resources and communicating the budget plan.

Egbide et al. (2022) noted that the debate on budgeting practices on financials performance on organizations has not been quite settled. Most of the available studies in this area have a mixed of concepts of budgeting practices, budgetary controls and budgetary controls on financial performance of organizations. It is also notable, that the success of budgeting practices on financial performance of organizations depends on other variables and also within a range of other contextual factors such as the political system and fiscal environment. The research studied the impact of ICT on the financial development index of Qatar, Kuwait, Bahrain, Oman, Saudi Arabia and UAE from the 2000 to 2016 using a panel approach. ICT has contributed to enhancing the efficiency of electronic transactions, leading to improved performance. However, the study investigated effect of ICT on firm performance contrasting current study that focus on financial performance of county governments.

Egwali and Kareem (2018) conducted a study on e-payment and revenue collection. Kessy (2020) used descriptive survey research. It was found that e-payment positively resulted to increased revenue collection, monitoring of revenue sources, and financial reporting. The study solely focused at impact of e-payment on revenue collection. In the study, e-payment was the independent variable compared to the current study where automated revenue collection was used as the moderating variable leading to a conceptual gap. The automated system includes: ICT infrastructure including physical IT assets; communication technologies; shareable technical platforms and databases that has a significant influence of organizational operations. The elements of automated system are computer technologies, internet connectivity, reliable power supply, ease of use by the staff, and ICT policy documents (Dahiya & Mathew, 2016). Kirimi (2015) used online payments, online receipt methods and online processes as well as online response to measure automated revenue collection systems. In this study, automated revenue collection system was assessed in in term number of users, the frequency of reports, the timeliness of production of financial reports, the network connectivity and the capacity of human resource.

In Kenya, Kimunguyi et al. (2015) looked into on the influence of financial preparation on economic tasks of NGOs in Wellness field. The scientists used descriptive research style as well as discovered that monetary preparation has significant result on economic tasks of NGOs in Health and wellness sector. Results also revealed that budgeting overview monitoring planning, gives a great structure for evaluating performance as well as also encourages efficient control and also interaction among diverse divisions of NGOs.

Mwaura (2013) researched on the effect of spending plan planning on the monetary tasks of vehicle organizations in Kenya. The research utilized detailed research study style as well as discovered that budget plan planning has very strong influence on economic performance of vehicle

companies. The research additionally developed that budget plan planning helps monitoring to avoid wastage by making procedures and also policies which facilitate a closer synchronisation in between the different organization functions.

Bandara et al. (2011) researched on whether economic planning affects financial SMEs performance positioned in Australia. The researchers embraced a survey research study design and developed greater comprehensiveness in monetary planning along with control procedures results in enhanced sales. Alkaabi and Nobanee (2019) essentially recommends just how economic administration is important in the sustainability procedure. The research study is based upon the requirement of disclosure of sustainability reports, basing monetary choices on company sustainability in funding budgeting and also relevant aspects and the measurement also reduction of sustainability risks. The attach between financial development and sustainability is supplied in addition to situation analysis of the Islamic and Western monetary model systems broken down for the analysis of the importance of the principles in the real life. Ultimately, the research specifies a predictive model standard for distress identification as well as evaluation in various companies for numerous rate of interest parties as a function of non-financial and macroeconomic elements.

Musah et al. (2018) took a look at financial monitoring methods making use of 4 components: working funding administration techniques, funding framework administration, accounting info and financial coverage practice, and making use of funding budgeting methods as well as fixed properties management. Efficiency of SMEs was examined from the context of productivity gauged by Return on Properties and also of development. The research experienced 100 SMEs from Accra with information gathered with the administration of a questionnaire. Information were analysed utilizing detailed data as well as Pearson correlation evaluation. The outcomes of the descriptive stats disclosed that functioning funding management techniques had the highest mean rating, adhered to by accounting information and economic reporting techniques, resources framework monitoring and ultimately, making use of capital budgeting strategies and taken care of properties monitoring, in that order. The Pearson connection evaluation showed a positive association in between the four elements of monetary monitoring practices and in between SMEs productivity as well as growth. The outcomes stress the demand for SMEs to enhance their economic management technique to enhance the earnings and growth of these companies. It is advised that using funding budgeting methods be boosted, as this location of monetary monitoring, although it affects favorably on the performance of SMEs had the least score.

According to Agbenyo, Danquah and Shuangshuang (2018), Organizations in both developed as well as developing countries face high competitions in business market. It is important that services that wish to stay competitive create the need of identifying the duty of budgeting and its effect on their monetary efficiency. Hereof, this study explored the function of budgeting as well as its result on monetary performance of provided production firms on the Ghana Stock Market as a case study. Especially, the research sought to check out the duty of budgeting and also to assess the impact of budgeting on the financial performance of these companies. Both cross-sectional as well as practical sampling techniques were made use of to select fifty-one (51) respondents as the example size of the research study. Surveys were utilized to acquire data from the participants. The relationship matrix was used to develop a positive partnership between budgeting and also financial performance. The research discovered that budgeting plays necessary roles in the financial performance of listed manufacturing firms. The study again introduced that there is a solid favourable correlation in between budgeting and also financial efficiency. The study additionally wraps up that preparation; tracking and control; synchronisation and also evaluation

plays a crucial function as well as has a favourable effect on the economic performance of production companies. The research recommends that supervisors should produce extensive budgetary strategies to make it possible for the work of long-term strategies. Annual budgeting evaluation need to also be integrated permanently to allow the production firms to determine vital economic indicators for their business and how and when to check them and also to prepare for future procedures, refine existing strategic plans as well as thinks about how they can reply to current competitors.

Emerling and Wojcik-Jurkiewicz (2018) suggested that performance budgeting has been operating in Poland for nearly twelve years currently and also it still can be stated that it is an obstacle for the entire market. Until now many nations have actually attempted to implement it, recommending a shift from the typical budget plan to the performance budgeting. It should be kept in mind that this likewise creates an adjustment in believing which does not come as well conveniently, especially in case of taking care of public administration. Additionally, the performance budgeting is a key element of the monitoring system. The purpose of this paper is to reveal that the replacement of traditional spending plan with performance budgeting is preferable in public administration. It would lead to the enhancement of the high quality of state management and as a device it would enable to efficiently monitor and also examine the results and effectiveness of budgetary funds administrators. The efficiency budgeting is a tool for public governance management. The used study approaches are the technique of important analysis of literature research studies and the analysis of the benefits of creating a task-based spending plan in relation to the traditional spending plan in handling the general public finances unit. These approaches will exist in the context of their viability to show that it is required to convert the conventional budget plan right into a budget plan in a job setting, in public administration. The standard hypothesis is the assumption that the use of a task-based budget plan will certainly result in renovation in the high quality of state administration, and also as a device it will certainly enable reliable tracking and assessment of the results as well as performance of spending plan component supervisors.

Nuryana and Surjandari (2019) sought to analyze the impact of good corporate governance (GCG) devices, and revenues administration on monetary performance. From the good company administration variables, researchers used proxies to the number of board of supervisors, institutional ownership, managerial ownership, the proportion of independent board of directors, a number of audit committees. Additionally, disclosed the impact of incomes administration on financial efficiency. This study uses an example of 25 manufacturing firms listed on the Indonesia Stock market by utilizing purposive tasting that is monetarily released records between 2012 as well as 2016. The method of evaluation of this study utilizes multi-regression and single regression. The outcomes of this research study show that Board of directors has no effect on revenues management, institutional possession does not have a significant favourable effect on profits monitoring, Managerial ownership does not have a purposeful influence on earnings management, The visibility of the Independent Board of Commissioners has no significant result on profits monitoring, The dimension of the audit board does not have a having a definition or objective result on earnings monitoring, (6) Simultaneously GCG are not has a substantial influence on revenues administration, (7) Earnings monitoring has no substantial causal aspect on financial efficiency, and also GCG systems as well as profits monitoring together impact financing efficiency.

Levytska, Akimova, Zaiachkivska, Karpa and Gupta (2020) found that presenting the truth of sales at the time of goods shipment misshapes the monetary condition (there might be scenarios where

the entity is financially stable yet financially troubled); even a profitable enterprise can show the signs of insolvency, if its funds are bought low-liquid properties, the accounts payable are not settled, as well as the profits are not used successfully; the earnings accrued throughout the entity's operation is never equal to the amount of income accrued for each reporting period (this results from revaluations and also adjustments in bookkeeping policies); the revenue according to the accounting information is not similar to the actual (from the economic perspective) economic efficiency of the entity. It is developed that the current regulative structure for income getting, audit and evaluation leads to the distortion of the real financial performance. For that reason, the principles of financial, audit and tax revenue need to be distinguished, and also their connections must be taken into consideration. It is confirmed that the outcomes of earnings as well as productivity evaluation, consisting of the top quality of logical researches as well as the rationality of administration choices made on their basis, depend upon arranging separate accounting for dealt with and variable prices, carrying out the budgeting system by the topic. Despite the truth that in the conditions of administration accountancy, the method of factor evaluation of profit ends up being mathematically complicated, its results become more clear from the economic viewpoint, as well as the possibilities of using information in executing strategic potential evaluation of economic performance broaden.

2.3 Conceptual Framework

Budgeting practices has a direct effect on performance of county governments in Kenya as shown in Figure 1.

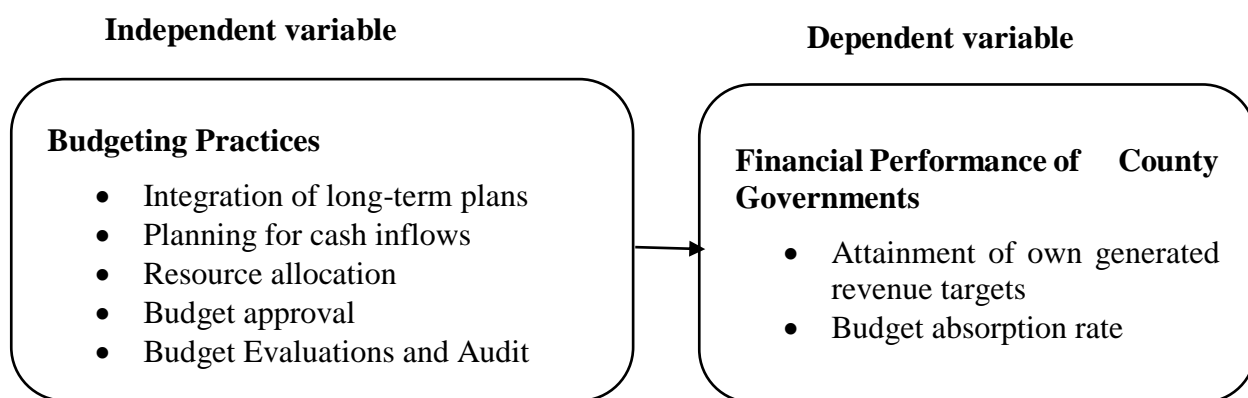


Figure 1: Conceptual Framework

3.0 Research Methodology

The study embraced a pragmatism research philosophy and adopted an ex-post facto research design. The target population encompassed all 47 county governments in Kenya, with the unit of observation being the county budget controllers from each county, making a total of 47 participants. Quantitative data collected via questionnaire was processed using both descriptive and inferential statistics to elucidate the characteristics of the variables under study. The study employed simple linear regression to examine the relationship between budgetary practices and the performance of county governments.

4.0 Findings and Discussions

A total of 43 questionnaires were duly filled and returned, representing a response rate of 95.56%. Correlation analysis was conducted in order to determine whether there is a relationship between budgeting practices and financial performance of County governments. Table 1 shows the results for the correlation analysis.

4.1 Correlation analysis

Correlation analysis was conducted to determine whether there is a relationship between budgeting practices and financial performance of County governments.

Table 1: Correlation Analysis

Statement		Financial Performance	Budget Practices
Financial Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Budget Practices	Pearson Correlation	.586	1.000
	Sig. (2-tailed)	0.000	

The study found that there is a strong, positive and significant association between budget practices and financial performances, ($r=.586$, $p=0.000$).

4.2 Regression Analysis

The study performed a regression analysis of the following variables: integration of long-term plan, planning for cash inflows, budget approval, resource allocation, and budget evaluations and audit. The results of the analysis are presented in Table 2.

Table 2: Regression Analysis

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.661a	0.437	0.431	0.42345		
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	9.057	5	1.811	8.012	.000b
	Residual	18.993	37	0.226		
	Total	28.05	42			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	0.849	0.483		1.759	0.082
	Integration of long-term plan	0.079	0.082	0.091	0.966	0.337
	Planning for Cash Inflows	0.168	0.068	0.237	2.456	0.016
	Budget Approval	0.135	0.070	0.180	1.931	0.057
	Resource Allocation	0.181	0.077	0.245	2.361	0.021
	Budget evaluations and Audit	0.130	0.065	0.198	2.014	0.047

As presented in the Table 2 the coefficient of determination R Square is 0.437. The model indicates that budgeting practices explains 43.7% of the change in performance of County Governments in Kenya. This implies that there exists a significant association amongst budget performance and performance of County Governments in Kenya. In Addition, the ANOVA section of Table 5.1 shows that the entire model was significant as indicated by the Prob > F of 0.000 with an F- statistic (1.811) of 8.012.

Finally, as seen in the regression coefficients in the table, the constant of 0.849 shows that when budget practices are held constant, the financial performance of County Governments would remain at 0.849 units. The results show that the influence of Integration of long-term plans on the

financial performance of county governments in Kenya was not significant ($\beta=0.079$, $t=0.966$, $p<0.337$). The regression results showed that planning for cash inflows positively and significantly influenced financial performance of County governments ($\beta= .169$, $t= 2.456$, $p<0.016$), this implies that a unitary change in planning for cash inflows would significantly result to an improvement in the performance of County governments in Kenya. However, the results showed that the influence of budget approval on financial performance of County governments in Kenya is not significant ($\beta= .135$, $t= 1.931$, $p<0.057$), suggesting that a unitary change in budget approval would lead to a non- significant increase on financial performance of County governments firms in Kenya by 0.135 units.

Further, the regression results also revealed that the influence of resource allocation on the financial performance of County governments in Kenya was significant ($\beta= .181$, $t= 2.361$, $p<0.021$). This implies that a unit increase in resource allocation would result in an increase in financial performance of county governments by 0.181 units. Finally, the regression results show that the influence of budget evaluations and audit on the financial performance of county governments was positive and significant ($\beta= .130$, $t= 2.014$, $p<0.047$). This indicates that a unitary increase in budget evaluations and audit would result in a significant increase in financial performance by 0.13 units. As such, the null hypothesis was therefore rejected and the alternative hypothesis was adopted that budget practices have a significant effect on the financial performance of County governments in Kenya. This finding are in line with Okotchi, et al (2020) who established that budgeting practices positively affected financial performance. However, since the study was conducted on organizations rather than on County governments and as such presents a contextual gap.

5.0 Conclusion

The findings of the study concluded that budgeting practices exerted a positive and significant effect on the financial performance of County Governments in Kenya. The regression analysis demonstrated that resource allocation, planning for cash inflows, budget approval, budget evaluations, and audits were crucial components of budgeting practices influencing financial performance. Resource allocation had the highest coefficient, followed by planning for cash inflows, whereas integration of long-term plans held the lowest coefficient.

6.0 Recommendation

The study recommended that county governments should implement and adhere to effective budgeting practices, including budget planning, coordination, evaluation, and reporting. These practices contribute to improved financial performance by ensuring that resources are allocated efficiently and in alignment with organizational objectives. The adoption of standardized budgeting practices will promote consistency and transparency in financial management.

REFERENCES

- Agbenyo, W., Danquah, F. O., & Shuangshuang, W. (2018). Budgeting and its effect on the financial performance of listed manufacturing firms: Evidence from manufacturing firms listed on Ghana stock exchange. *Research Journal of Finance and Accounting*, 9(8), 12-22.
- Akindede, S. T., & Ayeni, O. O. (2012). Democratic governance and participatory budgeting: A theoretical discourse of the nigerian experience. *Global journal of human-social science research*, 12(12), 117-112.

- Akinyi, R. T., & Oima, D. O. (2019). Effect of firm size on financial performance of sugar firms in western Kenya.
- Alkaabi, H., & Nobanee, H. (2019). A study on financial management in promoting sustainable business practices & development. Available at SSRN 3472415. <https://doi.org/10.2139/ssrn.3472415>
- Arogundade, F. A., & Barsoum, R. S. (2008). CKD prevention in Sub-Saharan Africa: a call for governmental, nongovernmental, and community support. *American Journal of Kidney Diseases*, 51(3), 515-523. <https://doi.org/10.1053/j.ajkd.2007.12.006>
- Asimiyu, A. G., & Kizito, E. U. (2014). Analysis of internally generated revenue and its implications on fiscal viability of state governments in Nigeria. *Journal of empirical economics*, 2(4), 216-228.
- Bandara, J. M. R. S., Wijewardena, H. V. P., Bandara, Y. M. A. Y., Jayasooriya, R. G. P. T., & Rajapaksha, H. (2011). Pollution of River Mahaweli and farmlands under irrigation by cadmium from agricultural inputs leading to a chronic renal failure epidemic among farmers in NCP, Sri Lanka. *Environmental geochemistry and health*, 33(5), 439-453. <https://doi.org/10.1007/s10653-010-9344-4>
- Bartle, J. R. (2001). *Evolving theories of public budgeting*. Emerald Group Publishing Limited.
- Beuermann, D. W., & Amelina, M. (2014). *Does participatory budgeting improve decentralized public service delivery?* (No. IDB-WP-547). IDB Working Paper Series.
- Brady, D. W., & Volden, C. (2018). *Revolving Gridlock: Politics and Policy from Jimmy Carter to George W. Bush*. Routledge. <https://doi.org/10.4324/9780429494710>
- Chepkorir, M., Rugut, W., & Langat, P. (2021). Relationship Between Budgetary Monitoring and Financial Performance of County Government of Kericho, Kenya. *East African Journal of Business and Economics*, 4(1), 76-84. <https://doi.org/10.37284/eajbe.4.1.497>
- Cruz-Castro, L., & Sanz-Menéndez, L. (2016). The effects of the economic crisis on public research: Spanish budgetary policies and research organizations. *Technological Forecasting and Social Change*, 113, 157-167. <https://doi.org/10.1016/j.techfore.2015.08.001>
- Dahiya, D., & Mathew, S. K. (2016). IT assets, IT infrastructure performance and IT capability: a framework for e-government. *Transforming Government: People, Process and Policy*. <https://doi.org/10.1108/TG-07-2015-0031>
- Egbide, B. C., Otekunrin, A., Adenike, O., & Oludare, F. (2022). Responsiveness of rural development to budget management attributes: Evidence from Ogun State, Nigeria. *Problems and Perspectives in Management*, 20(1), 1. [https://doi.org/10.21511/ppm.20\(1\).2022.01](https://doi.org/10.21511/ppm.20(1).2022.01)
- Egwali, A. O., & Kareem, O. (2018). Automated revenue collection system: A case study of Edo State jobs initiative. *The Pacific Journal of Science and Technology*, 19(2).
- Emerling, I., & Wojcik-Jurkiewicz, M. (2018). The risk associated with the replacement of traditional budget with performance budgeting in the public finance sector management.

- Ekonomicko-manazerske spektrum*, 12(1), 55-63. <https://doi.org/10.26552/ems.2018.1.55-63>
- Ewa, E. U., & Udoayang, J. O. (2012). The impact of internal control design on banks' ability to investigate staff fraud, and life style and fraud detection in Nigeria. *International Journal of Research in Economics & Social Sciences*, 2(2), 32-43.
- Gibran, J. M., & Sekwat, A. (2009). Continuing the search for a theory of public budgeting. *Journal of public budgeting, accounting & financial management*. <https://doi.org/10.1108/JPBAFM-21-04-2009-B005>
- Gideon, Z., & Alouis, C. (2013). The Challenges of Self-Financing in Local Authorities The Case of Zimbabwe. *International Journal of humanities and social science*, 3(11), 233-245.
- Kessy, S. S. (2020). Electronic Payment and Revenue Collection in Local Government Authorities in Tanzania: Evidence from Kinondoni Municipality. *Tanzania Economic Review*, 9(2), 89-106. <https://doi.org/10.56279/ter.v9i2.47>
- Kimunguyi, S., Memba, F., & Njeru, A. (2015). Effect of corporate governance on financial performance of NGOs in health sector in Kenya. *International Journal of Economics, Commerce & Management*, III, 12, 390-407.
- Kirimi, P. W. (2015). *Influence of automation of revenue collection processes on Organizational performance: a case of county government of Meru, Kenya* (Doctoral dissertation, University of Nairobi).
- Koven, S. G. (1999). *Public budgeting in the United States: The cultural and ideological setting*. Georgetown University Press. <https://doi.org/10.1353/book52424>
- Levytska, S., Akimova, L., Zaiachkivska, O., Karpa, M., & Gupta, S. K. (2020). Modern analytical instruments for controlling the enterprise financial performance. *Financial and credit activity problems of theory and practice*, 2(33), 314-323. <https://doi.org/10.18371/fcaptp.v2i33.206967>
- Lewis, V. B. (1952). Toward a theory of budgeting. *Public Administration Review*, 12(1), 42-54. <https://doi.org/10.2307/972827>
- Mandala, N., O., Odhiambo, V., & Wang, C., H. (2020). Revenue Management: Automation, Challenges, & Legal Perspectives of County Governments in Kenya, *European Scientific Journal*, 16(25), 196-224. <https://doi.org/10.19044/esj.2020.v16n25p196>
- Marino, A. M., & Matsusaka, J. G. (2005). Decision processes, agency problems, and information: An economic analysis of capital budgeting procedures. *The Review of Financial Studies*, 18(1), 301-325. <https://doi.org/10.1093/rfs/hhh005>
- Mbogo, M., Jimmy, M., & Olando, C. (2021). Effect of Budgeting Practices on Financial Performance of Manufacturing Small and Medium Enterprises in Nairobi County, Kenya. *Journal of Language, Technology & Entrepreneurship in Africa*, 12(1), 84-110.
- Miller, S. A., Hildreth, R. W., & Stewart, L. M. (2019). The modes of participation: A revised frame for identifying and analyzing participatory budgeting practices. *Administration & Society*, 51(8), 1254-1281. <https://doi.org/10.1177/0095399717718325>

- Minja, D. (2019). Compliance of Budgeting Practices to Budgeting Norms by Government Entities in Kenya: A Case of the Legislature. *International Journal of Current Aspects*, 3(III), 122-134. <https://doi.org/10.35942/ijcab.v3iIII.35>
- Musah, A., Gakpetor, E. D., & Pooma, P. (2018). Financial management practices, firm growth and profitability of small and medium scale enterprises (SMEs). *Information management and business review*, 10(3), 25-37. <https://doi.org/10.22610/imbr.v10i3.2461>
- Mwaura, J. (2013). *The effect of financial planning on the financial performance of automobile firms in Kenya* (Doctoral dissertation, University of Nairobi).
- Nuryana, Y., & Surjandari, D. A. (2019). The effect of good corporate governance mechanism, and earning management on company financial performance. *Global Journal of Management and Business Research*, 19(1), 27-39.
- Okotchi, C. J., Makokha, E. N., & Namusonge, G. (2020). Effect Of Budgetary Process On Performance Of County Governments In Kenya. *International Journal of Recent Research in Social Sciences and Humanities*. 7(2), 11-21.
- Pere, A., & Osain, O. (2015). Functional impact of public accounts committee on public accountability over financial crimes in Nigeria. *Journal of poverty, investment and development*, 8(1), 53-82.
- Pfeffer, J. (1992). Understanding power in organizations. *California management review*, 34(2), 29-50. <https://doi.org/10.2307/41166692>
- Pimpong, S., & Laryea, H. (2016). Budgeting and its impact on financial performance: The case of non-bank financial institutions in Ghana. *International Journal of Academic Research and Reflection*, 4(5), 12-22.
- Raghunandan, M., Ramgulam, N., & Raghunandan-Mohammed, K. (2012). Examining the behavioural aspects of budgeting with particular emphasis on public sector/service budgets. *International Journal of Business and Social Science*, 3(14).
- Scott, G. K., & Enu-Kwesi, F. (2018). Role of budgeting practices in service delivery in the public sector: A study of district assemblies in Ghana. *Hum Resour Manag Res*, 8, 23-33.
- Serem, K. (2013). Effect of Budgetary Control on Performance of Non-Governmental Organizations in Kenya, Unpublished MBA, University of Nairobi.
- Sinder, J. (2000). *Law librarians abroad*. Psychology Press.
- Siyambola, T. T. (2013). The effect of cashless banking on Nigerian economy. *eCanadian Journal of Accounting and Finance*, 1(2), 9-19.
- Siyambola, T. T., & Remo, I. (2013). The impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria. *J Bus Manag Soc Sci Res*, 2(12), 8-16.
- Stuart, E. A., Bradshaw, C. P., & Leaf, P. J. (2015). Assessing the generalizability of randomized trial results to target populations. *Prevention Science*, 16(3), 475-485. <https://doi.org/10.1007/s11121-014-0513-z>
- Uyar, A., & Bilgin, N. (2011). Budgeting practices in the Turkish hospitality industry: An exploratory survey in the Antalya region. *International Journal of Hospitality Management*, 30(2), 398-408. <https://doi.org/10.1016/j.ijhm.2010.07.011>

- Uyarra, E., Zabala-Iturriagoitia, J. M., Flanagan, K., & Magro, E. (2020). Public procurement, innovation and industrial policy: Rationales, roles, capabilities and implementation. *Research Policy*, 49(1), 103844. <https://doi.org/10.1016/j.respol.2019.103844>
- White, J. (1994). (Almost) nothing new under the sun: Why the work of budgeting remains incremental. *Public Budgeting & Finance*, 14(1), 113-134. <https://doi.org/10.1111/1540-5850.01002>
- Wokas, H. R. N., & Gerungai, N. Y. (2019). The Influence of Budgeting Based on Performance on the Effectiveness of Financial Control and the Effectiveness of Performance Control at Tomohon City Government. *ACCOUNTABILITY*, 8(1), 29-41. <https://doi.org/10.32400/ja.23358.8.1.2019.29-41>
- Yang Qi, (2010). The Impact of the Budgeting Process on Performance in Small & Medium-Sized Firms in China, University of Twente.