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# Mediating Effect of Public Participation on the Relationship between Budgeting Practices and Financial Performance of County Governments in Kenya

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## Abstract

Public participation in budgeting practices has long been seen as a mechanism that leads to improved governance and financial outcomes. The study sought to examine the influence of public participation on the relationship between budgeting practices and the financial performance of county governments in Kenya. The study was grounded in the public budget theory and employed a pragmatic research philosophy and an ex-post facto research design. The study's target population included 47 county governments in Kenya. Data was collected via questionnaires, targeting the controller of budget in each county. The study employed both inferential and descriptive statistical analyses and performed regression and correlation analyses. The correlation results revealed that public participation and financial performance reveals a significant and positive influence of public participation on financial performance at County Governments ( $r=.555$ ,  $p=0.000$ ). The coefficient for budgetary practices (BP) is 0.612, indicating a positive and significant effect on financial performance. The coefficient for public participation (PP) is 0.342, indicating a positive and significant effect on financial performance. The t-values of 5.948 (BP) and 4.417 (PP), along with p-values of 0.000, suggest that both budgetary practices and public participation have statistically significant relationships with financial performance. The regression results indicate that both budgetary practices and public participation have positive and significant effects on the financial performance of County Governments in Kenya. Based on these results, the study concluded that public participation partially mediates the relationship between budgeting practices and financial performance in county governments. Therefore, the study recommends promoting public participation in respective counties as a strategy to enhance the financial performance of County governments.

**Keywords:** *Mediating Effect, Public Participation, Budgeting Practices, Financial Performance, County Governments*

## **1.0 Introduction**

Efficiency and accuracy are crucial aspects of budgeting practices, requiring a comprehensive organizational strategy for effective financial planning and control. Proper budgeting oversight, monitoring, and planning provide a solid foundation for performance evaluation and promoting efficient control and interaction among different divisions within organizations (Ajibade, 2018). Nabatchi and Leighninger (2015) define public participation as a process in which citizens are involved in public utility matters with the governing authorities, aiming to influence service delivery, policy decision-making, oversight, development matters, and legislation. Van Brabant (2015) describes public participation as a deliberative activity where interested or impacted citizens, civil society organizations, and government actors partake in policymaking before a political decision is made. It is clear that there is consensus among authors (Nabatchi et al., 2015, Van Brabant, 2015, Korff, 2007) regarding the definition of public participation as the involvement of citizens in public utility matters. Public participation in the budgeting process began in Porto Alegre in 1989 (Wampler, 2007). The CoK (2010) emphasizes public participation and fosters democracy by enabling citizens to partake in key decision-making processes that affect them and their communities (Mutinda, 2021).

Consequently, public participation involves gathering, discussing, and critiquing matters of public interest, sharing information, and brainstorming to arrive at a majority-approved and superior decision (Wilson, Tewdwr-Jones & Comber, 2019). The non-involvement of citizens in the public budgeting process may result in projects and programs not making a positive impact on the citizenry as intended in the budget (Emeka & Michael, 2016). According to the International Budget Partnership (2015), civil society cannot monitor the design and execution of budget policy without a comprehensive budget plan and formal oversight institutions. The measurement of public participation varies among different authors. Yani et al. (2017) measure public participation using four elements: access, awareness, control, and benefits. Shittu and Musbaudeen (2016) measure public participation using three dimensions: mechanisms, functions, and decision-making. Mechanisms include avenues such as public meetings where the public is asked to express their opinions on the public matters at hand. The functional aspect entails the actual involvement of the public in carrying out public functions, while decision-making includes the public's participation in making decisions related to public issues. This study adopts the measures recommended by the International Budget Partnership (2015). Specific measures include feedback from the executive on the use of inputs provided by the public, reports from the legislature on public hearings, feedback from audit reports on public hearings, public hearings in the legislature, and formal requirements for public participation.

### **1.1 Statement of the Problem**

Public participation is often considered a vital component in effective budgeting practices, allowing stakeholders to influence decisions affecting them, resulting in improved governance and financial outcomes (Beuermann & Amelina, 2014). However, the current level of public participation in county governments in Kenya is reported to be low, thereby creating challenges in holding public officers accountable for the use of resources (Okotchi, et al., 2020; Beuermann & Amelina, 2014). This lack of public engagement is suspected to contribute to various financial performance issues such as budget deficits, delays in paying suppliers, stalled projects, low budget absorption rates, and corruption (Chepkorir et al, 2021). However, current literature provides conflicting findings on the connection between budgeting practices, public participation, and

financial performance in public entities (Ahmad & Brosio, 2009; Ekholm & Wallin, 2000; Serem, 2013; Speer, 2012; Ng'wasa, 2017; Kaguri, 2015; Inkoom, 2011), indicating a critical gap in the understanding of these relationships.

Therefore, the research problem for the study is to ascertain the mediating effect of public participation on the relationship between budgeting practices and the financial performance of County governments in Kenya. This research problem will seek to answer: Does the level of public participation influence the impact of budgeting practices on the financial performance of county governments in Kenya? How does this relationship operate, and what measures can be taken to enhance public participation and thereby potentially improve the financial performance of these local governments?

## **1.2 Objective of the Study**

To explore the mediating effect of public participation on the relationship between budgeting practices and the financial performance of County governments in Kenya.

## **2.0 Literature Review**

The section discusses the theoretical framework, the empirical review, and presents a conceptual framework.

### **2.1 Theoretical Review**

The Public Budget Theory fundamentally explains the social motivation behind governments' involvement in the budgeting process (Robis, 1990). As it pertains to the stakeholder participation, the theory allows us to understand why and how different stakeholders are involved in budgeting practices, and how this involvement might affect financial accountability and performance (Bartle, 2008). This theory is not without its critics, who argue that the theory only provides partial answers and doesn't fully address why governments do budgets the way they do (Pfeffer, 1992). However, others have noted that budgeting is the process of providing governance with monetary inputs for its activities and that stakeholder participation can imbue the budgeting process with a degree of instrumentality (Gibran & Sekwat, 2009). The theory is relevant to this study because the Public Budget Theory allows to understand the roles of various stakeholders in the budgeting process and their impact on financial performance. The theory suggests that effective stakeholder participation potentially enhance the efficiency, transparency, and accountability of budgeting processes, ultimately leading to improved financial performance. This understanding will guide the research into how stakeholder participation in the budgeting process influences the financial performance of county governments in Kenya.

### **2.2 Empirical Review**

Hatcher (2015) investigated the role of public participation during budget making by municipalities in USA. This was an exploratory survey targeting municipal budging officers in US. Budget directors found that traditional participation methods including public hearing are better and effective in involving public in budget making compared to participatory and interactive approaches. Given the study was conducted in USA, it presents a contextual gap. Su (2018) investigated the functions of public budgeting in Taiwan and the primary political effects of public participation in budgeting practices. The study found that public participation is faced with a lot of impediments from politicians including concerns of power relations with citizens. The study

was conducted in Taiwan and was mainly based on the national government as opposed to the current study that seeks to study public participation among county governments in Kenya.

Moliehi (2009) conducted a research to assess the extent of citizen participation on local governments' decision making process with a focus on budgeting practices in South Africa. The study found that political and administrative elites are still holding on to the power that should be in the hands of citizens. Citizens are not encouraged and mobilized to participate in public budgeting processes. Since the study was conducted in South Africa, it presents a contextual gap. Ajibade (2018) indicates efficiency is vulnerable to working risks in addition to inaccuracy. Additionally, there was an overall organizational technique on financial, established guidelines in addition to routine for monetary planning as well as the top administration assists in reduction of resources waste as well as communicates the budget plan. 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.

Kipyego and Wanjare (2017) explored factors that influence public participation during budgeting making process in Nandi County, Kenya. 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. The current study will focus on all County governments in Kenya while this one based only in Nandi County leading to a contextual gap. Gichure and Magani (2018) investigated how public participation influences the implementation of budgets by focusing at Nairobi, Kisumu and Mombasa counties. 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. It is still unclear on the influence of public participation of budgeting practices and financial performance of public entities (Akindele et al., 2012). 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.

According to OECD (2001) public participation might be utilized mutually with the principle or practice of stakeholder interaction and also prominent engagement. Normally public involvement looks for and assists in the participation of those potentially affected by or thinking about a choice. The concept of public engagement holds that those who are influenced by a choice have a right to be involved in the decision-making procedure. Lukensmeyer (2009) suggests that Public involvement implies that the public's contribution will affect the choice. Public engagement might be considered a means of empowerment and as essential part of autonomous governance. In the context of expertise administration, the establishment of recurring participatory procedures is seen by some in the facilitator of cumulative intelligence and inclusiveness, formed by the need for the involvement of the whole area or culture.

OECD, (2001) insists that Public involvement is part of "individuals centred" or "human centric" concepts, which have actually emerged in Western society over the last thirty years, as well as has actually had some bearings of education, service, public law as well as international relief and also

growth programs. Public engagement is progressed by the humanist movements. Public involvement might be advanced as part of a "individuals initially" standard change. In this regard OECD, (2001) ends that public engagement might test the concept that "large is far better" and also the reasoning of central power structures, advancing alternative concepts of "a lot more heads are better than one" as well as saying that public participation can sustain efficient and also long lasting adjustment.

According to Mosesti (2010), involvement works as a tool for shutting the void between city government, civil society, private sector and also the general area by creating a typical understanding concerning local circumstance, top priorities and also programmes. As a result, the purpose of public engagement would certainly be to promote common understanding, transparency and also accountability in governance as well as develop ownership of development choices, programmes and job. Tshabalala and Lombard (2009) further argues that this procedure permits marginalised individuals to have voices in the application growth initiatives. It enables for full involvement of regular participants of the neighbourhood in decision making, preparation, designing, arranging as well as performing development initiative that impact them.

Dola and Mijan (2006) list several of the significance of public participation to include promotion of agreement as well as stability conflict reduction and also rise of consciousness and also control and bargaining. However, they also argue that a boost in engagement doesn't necessarily bring about an increase in service shipment. For many years and during the clamour for a brand-new constitution, Kenyans made public engagement a vital concept in which they seek to underpin the governance of public affairs. (Economic as well as Social Legal Rights Centre, 2013) Public involvement ended up being an important style in disputes on governance in Kenya. Because of this, and in acknowledgment of lengthy struggles for democratic reforms that had actually happened throughout the years, post 10 of Kenya's new constitution enacted in 2010 consisted of democracy and also engagement of individuals among the values as well as concepts of administration, which bind all state body organs and organizations in addition to state authorities (Kanyinga 2014).

According to the Federal Government of Kenya (2010) the constitution sets public participation as one of the essential benefits of the Kenyan people. Phase 11 of the constitution, which attends to Devolved federal governments particularly spells out the significance of resident involvement in the events of government. Write-up 196 on public engagement and also county assembly powers, advantages and resistances clearly stipulate that the area federal government will promote public participation and also participation in the legal and various other organization of the area assembly and also its boards (Government of Kenya 2010). Article 174 of the constitution offers the power of self- administration to the people of Kenya and promotes the participation of the residents in exercise of the power of the state as well as in choosing on issues that influence them. Budgeting is an essential task of any type of federal government globe over. Via the procedure, the federal government has the ability to convert making use of physical sources to fulfil national concerns as well as satisfy their pledge to the body politic. Citizens on their part expect the process of budgeting to be reasonable, transparent, and also equitable (OECD 2007). A years earlier, the reasoning on budgeting amongst technocrats, macroeconomic plan makers and also academics advocated for a process that was carried out solely by technocrats in the Ministries of Financing as well as Ministries of Planning. The choice was to perform a process lacking 'national politics' (Globe Bank, 2002).

Short article 201 of the Kenyan constitution spells out some of the crucial public financing principles including the demand for openness and openness in public finance matters. The principles additionally stress that public involvement will be advertised in the decision making as well as budgeting process (National Taxpayers Association 2013). The Kenya's Public Financial Management (PFM) Act, which was authorized right into regulation by the Head of state in July 2012, supplies the legal structure for the engagement of the public in budgeting as well as making certain responsibility in financial management. The Costs makes a number of references to the requirement to make certain public participation in various financial administration processes. (Government of Kenya 2014) the Parliamentary Budget Workplace is expected to "observe the concept of public participation in budgetary issues" (10:2) The Treasury is called for to "look for and also think about the views of the public" in preparing the Budget plan Plan Declaration each year (25:5). Short article 36:5, for example, instructs the Cupboard Secretary for Money to prepare policies concerning public involvement in the spending plan process at national degree. This act consistently refers to the function and significance of the general public engagement in budgeting as well as economic monitoring. The PFM act additionally developed the Area Budget and Economic Forum (CBEF) whose major function is to convene public appointments on budgetary matters at the county level (Government of Kenya 2014).

The enactment of the CDF Act of 2003 as well as the LATF existing the very best initiative of the Kenyan government at decentralising funds at the constituency degree as well as advertising grassroots development planning where communities participate in the identification, layout, application and evaluation. (Institute of Economic Matters, 2012) in the execution of the Constituency Advancement Fund (CDF) in Kenya, public participation is understood with involvement in boards. Participants of the general public. Participation in the execution of CDF tasks has been through the Project Management Committees (PMCs) which consist of members of the general public that manage and oversee the implementation of individual CDF tasks (Institute of Economic Matters 2012). Upon the implementation of the new constitution as well as the establishment of county governments, the county budgeting process was additionally expected to be lined up to the constitution relative to public involvement. The constitution is really clear that the Region governments have to entail the public in decision making, consisting of in the budgeting procedure (Government of Kenya 2010). According to Economic and Social Legal Right Facility (2013), crucial locations where the general public participation is anticipated include: the preparation of the Region Integrated Advancement Plan; the preparation of the County Fiscal Approach Paper as well as evaluation of the budget price quotes by the County Assembly. To satisfy this expectation, County federal governments are needed to develop standards on public involvement (Financial and Social Civil Liberties Centre 2013).

Maulana (2022) kept in mind that as a public sector company, local governments are required to have performance that is oriented to the rate of interests of the area, as well as encourage the government to constantly be responsive to ecological demands, by attempting to offer the best solution in a transparent and also high quality fashion along with a great department of tasks within the government. Improving the efficiency of the city government industry is a comprehensive point where each SKPD as a budget user will certainly generate different degrees of efficiency according to their capacities as well as feeling of obligation. This study uses detailed evaluation as a study approach, utilizing a qualitative strategy. Qualitative is specified as a research study procedure that produces descriptive information in the form of created or talked words from individuals as well as as observed actions, and also the qualitative strategy was picked due to the fact that it is taken into

consideration really appropriate in the study of public administration. The results of this research study discuss that, in the current age of local freedom, areas are offered better authority to regulate and handle their own regions. The objective is to bring city government services closer to the community, and to make it simpler for the neighbourhood to keep track of and also control the use of funds sourced from regional profits as well as expenditure budget plans. Enhanced city government efficiency is influenced by financial engagement, where the higher the level of involvement, the higher the welfare value and local as well as organizational monetary management. Additionally, this involvement task is in fact expected to motivate every supervisor to enhance his performance by functioning harder and also presuming that the company's target is likewise his individual target.

Khadzali (2018) assumed that public engagement has actually been a topic of active discussion in several fields particularly in political and also management scientific research. This principle emerges when public ended up being, to a large level, even more concerned about the involvement in governmental decision-making processes than they had actually been in the past. In most of the countries, public engagement problem significantly captures the rate of interest of the academics, experts, regulatory authorities in addition to the federal governments. Currently, with the amazing development of info as well as interaction modern technologies (ICT), e-participation has actually been recommended to show the assimilation of ICT deliberately to sustain the typical participatory procedure. It is thought that these modern technologies particularly the net has made it possible for the public to easily communicate, purposeful, and also collaborate. Participation assists to improvise public involvement in the government as it serves to encourage two-way interaction in between the federal government and also people, inform residents on the underlying principle and also intricacy of policy-making, legitimize government decisions, as well as offer opportunities for shared discovering. In theory, e-participation appears to open big opportunities and various advantage to the public in addition to the government than the conventional method of involvement. Yet, either it is conventional participation or e-participation, public knowledge and understanding continued to be unclear. Consequently, this paper tries to discover the concept of this topic in comprehensively manner.

According to He and also Ma (2021), person participation is advocated as an effective tool to maintain and promote federal government authenticity, however to what extent as well as via what systems participation affects federal government depend on have not been totally elaborated. In this research, we examine the mediating function played by perceived federal government performance in the web link in between citizen participation and also federal government depend on, by analysing data from Hong Kong. We seized the opportunity when the Hong Kong SAR Government was undertaking public consultation on a wellness funding reform proposal and also accumulated data from a telephone survey of grown-up residents. Empirical evidence exposes that people who believe that their point of views concerning health care reform are considered by the federal government are more completely satisfied with health system performance, which, subsequently, causes more powerful trust in federal government. If created as well as performed appropriately, citizen participation in health and wellness plan generates positive end results, enhancing the legitimacy of health and wellness policy and that of government as a whole. The academic and policy effects of the empirical results are reviewed with reference to the value of citizen participation and the political ramifications of social policies.

Kondo (2015) looked at effects of budget plans on monetary efficiency of manufacturing companies in Nairobi Region. The research study used cross-sectional study method targeting



eighteen (18) production companies detailed in the Nairobi Securities Exchange by employing a census study to cover all manufacturing firms within Nairobi County. The scientist used both primary as well as additional data. A statistical bundle for social scientific researches was utilized as analyzing device and likewise regression version was taken on to establish the organization in between reliant as well as independent variables. The research findings revealed that there is a strong favorable effect of budget plans on monetary performance of producing firms as determined by return on possessions (ROA). The research advised that reliable budget plan execution ought to be facilitated through capability structure, robust systems and also procedures prioritization, and also close tracking for examination. Stakeholders should get involved in budget plan implementation to boosting the total spending plan execution. Additionally, financial administration systems need to be supported in order to make sure sensible management of funds as well as appropriate sensitization of both the workers as well as the general public on finest economic monitoring methods to boost the oversight duty. Furthermore, making business require to establish a solid web link in between the preparation process and the spending plan procedure (Kondo, 2015).

Wafula (2013) checked out the budgetary control in Non-Governmental Organizations as well as its results on their efficiency. The research target populace contained 7,127 Non-Governmental Organizations. Thirty Non-Governmental Organizations were chosen using ease judgmental sampling technique. Both neighbourhood and also global companies with headquarters in Nairobi were covered. A detailed study (questionnaires) was used in the data collection. The Analytical Plan for Social Sciences Version 17.0 was used to evaluate the data utilizing descriptive statistics, consisting of methods as well as standard deviation. The partnership in between budgetary controls and also performance of the NGOs was analyzed using correlation as well as regression evaluation. The research study searchings for established that there is a weak favorable impact of monetary control on performance of Non-Governmental Organizations in Kenya gauged by R square at 14.3%. The study recommended that employees need to be animated on monetary controls and also the impact on efficiency of the company. It also advised that factors that influence performance aside from financial controls ought to be examined by organizations. It likewise suggests that more research study needs to be done on the exact same location however a bigger sample need to be used (Wafula, 2013).

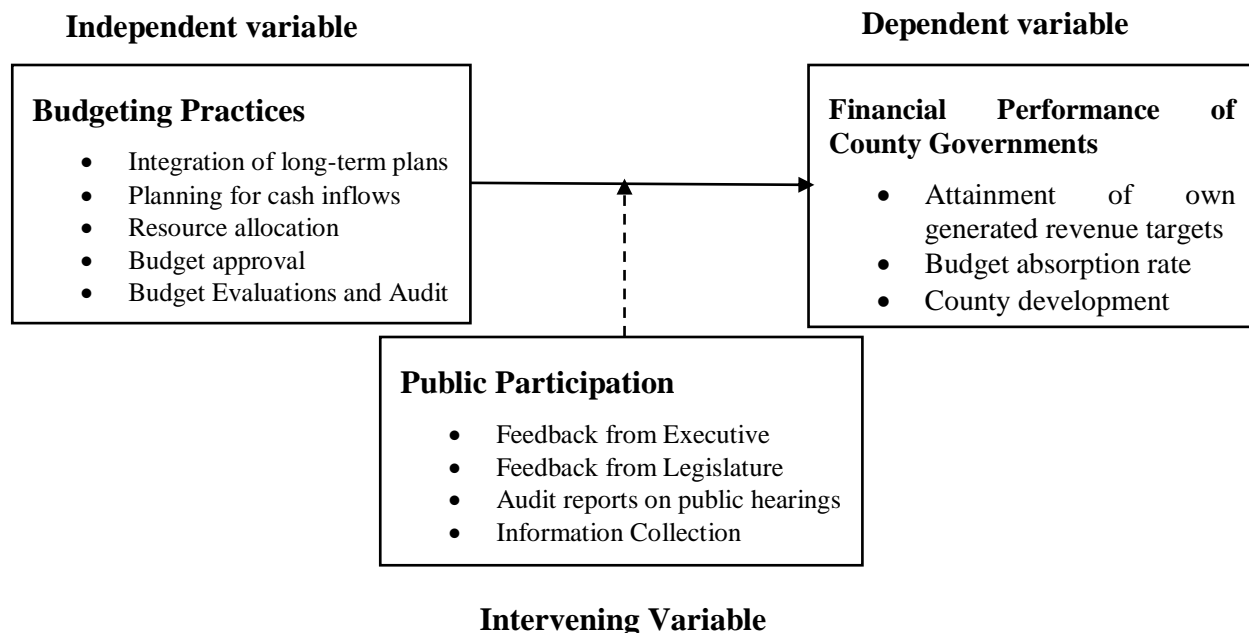
According to Nyagah and Njoka (2022), the resources absorption prices at the county illustrates a circumstance where all regions did not meet their regional profits target in the fiscal year 2015/16. On average, all the 47 areas achieved 69.3% of their targeted neighbourhood profits collection; 19 out of 47 counties (40%), achieved greater than 70% of their revenue target in Financial Year 2015/16. This is evidenced by governors being summoned at Senate and others that have been impeached as a result of infraction of the Public Money Monitoring Act 2012, and offense of the Area Federal Governments Act 2012. The basic goal of the research was to establish the impact of public engagement on public finance administration efficiency in Embu Area Federal Government, Kenya. The specific goals were to examine the influence of interaction and also access to info, capability of the general public to get involved and active involvement on public finance management efficiency in Embu Region Government, Kenya. The study was guided by 6 theories including Democratic Theory, Stakeholder Theory, stewardship theory, ladder of participation, Firm Theory and New Public Financing Monitoring Theory. The study took on an explorative research design.

The device of observation was Embu County federal government, as well as the unit of evaluation was a complete 12 individuals including 1 chief, 1 assistant chief, 5 region officials and 5 town elders from each below region that are mostly involved in the general public participation discussion forum in Embu Area. Information was accumulated using questionnaires and also assessed utilizing detailed as well as inferential statistics. The data was then presented in tables as well as numbers. The research study likewise learnt that the respondents suggested that the Embu Area federal government use the print media to welcome the public-to-public engagement forums, Embu Region government make use of the social media sites (WhatsApp, Facebook and also Tweeter) to invite the public-to-public engagement forums, the Embu Area federal government utilize the print media (newspapers and also screens at public places) to invite the public-to-public engagement discussion forums, the Embu Region federal government use phone call (mobile and landline) to invite the public-to-public engagement forums. The research better figured out that the public participation leader offers every person a possibility to participate during public engagement discussion forums, respondents showed that they consider their profession/education enough for reliable public involvement, the inquiries asked and also replied to during the public online forums were satisfying.

Tu, Hu and Shen (2019) showed that the industrial contamination triggered by China's unprecedented economic expansion seriously imperils public health, giving rise to public's high need for much better ecological top quality. The paper uses the difference-in-differences (DID) approach to conduct a quasi-natural experiment based upon the Contamination Information Transparency Index (PITI) to assess the general public participation effect on pollution emissions reduction as well as atmosphere innovation performance. The outcomes show that PITI information disclosure has a positive impact on air pollution exhausts decrease, nevertheless, some existing literatures may overemphasize the effect of public participation on environment renovation in China and the empirical results reveal that government administrative steps still play essential role at existing phase. The paper additionally finds that the impact of public participation exists in eastern China rather than in central as well as western China. Furthermore, the outcomes of using atmosphere innovation performance as end result variable program insignificant effect, however eastern China has positive atmosphere modern technology performance, suggesting that economic growth may raise venture technological input, hence accomplishing mutually useful success of economy as well as ecological effectiveness.

### **2.3 Conceptual Framework**

The study conceptual framework presents the relation between public participation on the relationship between budgeting practices and the financial performance of county governments in Kenya as shown in Figure 1.



**Figure 1: Conceptual framework**

### 3.0 Methodology

The study applied an ex-post facto research design. The unit of observation were county budget controllers from all the counties making a target population of 47 participants. The county budget controllers are well versed with the operations in the county government regarding budgetary practices, public participation and automated revenue collection systems making them right for this study. Both primary and secondary data was collected. Semi structured questionnaires were used to facilitate the collection of primary data. The questionnaire was distributed to the county budget controller in person through drop and pick method. The secondary data was obtained from counties financial performance reports and revenue collection reports. Qualitative data was transcribed, coded, classified and findings summarized in relation to research questions of this study and analysed using content analysis. Quantitative data collected via questionnaire was analysed using SPSS software. Stepwise regression analysis was used to determine the intervening effect of public participation.

### 4.0 Findings and Discussion

A total of 45 questionnaires were issued to respondents from 45 counties. Of these, 43 were filled out and returned, resulting in a response rate of 95.56%. This is considered satisfactory, as a response rate of at least 80% is generally considered to be representative and indicative of an effective data collection process.

#### 4.1 Correlation Analysis

A correlation analysis was conducted to determine whether there is a relationship between budgeting practices, public participation and financial performance of county governments.

Pearson's correlation was used to explore the interrelationships between these variables, specifically to determine the strength and direction of any relationships. Table 1 shows the results of correlation analysis.

**Table 1: Correlation Coefficient Matrix**

		<b>Financial Performance</b>	<b>Budget Practices</b>	<b>Public Participation</b>
Financial Performance	Pearson Correlation	1.000		
	Sig. (2-tailed)			
Budget Practices	Pearson Correlation	.586	1.000	
	Sig. (2-tailed)	0.000		
Public Participation	Pearson Correlation	.555	.374	1.000
	Sig. (2-tailed)	0.000	0.000	

Table 1 illustrates a robust, positive, and significant association between budget practices and financial performance ( $r=.586$ ,  $p=0.000$ ), indicating that effective budget practices tend to enhance financial performance. This finding aligns with previous research conducted by Siyanbola et al., (2013), who identified a positive impact of budget practices on the financial performance of manufacturing firms in Nigeria, and Okotchi et al. (2020), who underscored the link between budgetary control and improved financial performance in county governments. Additionally, the table demonstrates a significant and positive influence of public participation on the financial performance of County Governments ( $r=.555$ ,  $p=0.000$ ). This is consistent with Su's (2018) work, which suggests that public participation fosters accountability and thus enhances performance. It also corroborates the findings of Kipyego and Wanjare (2017) and Gichure and Magani (2018), who reported a positive and significant effect of public participation on budget implementation.

#### 4.2 Regression Analysis

Mediation was confirmed based on the significance of R<sup>2</sup> in public participation as follows. The results of the mediating effect of public participation on the relationship between budgetary practices and financial performance of County Governments in Kenya were as shown in Table 2, 3 and 4.

**Table 2: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R square</b>	<b>Std. Error of the Estimate</b>
1	.661	0.437	0.431	0.42345
2	.471	0.222	0.213	0.53031
3	.595	0.354	0.346	0.4539
4	.735	0.541	0.530	0.3849

Model Summary provides important information about the regression models used to analyze the relationships between different variables. The first model summary in Table 2 shows that budgetary practices (BP) explain approximately 43.7% ( $R^2 = 0.437$ ) of the variance in financial performance (FP) of county governments. The second model summary indicates that public

participation (PP) explains approximately 26.3% ( $R^2 = 0.263$ ) of the variance in budgetary practices (BP) among county governments. The third model summary indicates that public participation (PP) explains approximately 35.4% ( $R^2 = 0.354$ ) of the variance in financial performance (FP) of county governments. The fourth model summary demonstrates that both budgetary practices (BP) and public participation (PP) together account for approximately 54.1% ( $R^2 = 0.541$ ) of the variation in financial performance (FP) of county governments.

**Table 3: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1	12.27	1	12.27	68.428	.000
	15.78	41	0.179		
	28.05	42			
2	7.053	1	7.053	25.078	.000
	24.748	41	0.281		
	31.8	42			
3	9.92	1	9.92	48.147	.000
	18.13	41	0.206		
	28.05	42			
4	15.161	2	7.58	51.169	.000
	12.889	40	0.148		

ANOVA (Analysis of Variance) is utilized to evaluate the statistical significance of regression models and to ascertain whether relationships between variables are significant. The first model presents the ANOVA results for the relationship between financial performance (FP) and budgetary practices (BP). The results reveal that the regression model is significant ( $p < 0.05$ ), indicating that budgetary practices have a statistically significant impact on financial performance. With an F-statistic of 68.428, a strong relationship between the variables is suggested. The second model shows that the ANOVA results for the relationship between public participation (PP) and budgetary practices (BP) are also significant ( $p < 0.05$ ), indicating that budgetary practices have a statistically significant impact on public participation. The F-statistic of 25.078 suggests a significant relationship between these variables.

The third model displays the ANOVA results for the relationship between financial performance (FP) and public participation (PP). The significant regression model ( $p < 0.05$ ) suggests that public participation has a statistically significant effect on financial performance. An F-statistic of 48.147 indicates a strong relationship between the variables. The fourth model reveals the ANOVA results for the relationship between financial performance (FP), budgetary practices (BP), and public participation (PP). It indicates that the regression model is significant ( $p < 0.05$ ), suggesting that the combined effect of budgetary practices and public participation on financial performance is statistically significant. The F-statistic of 51.169 indicates a strong relationship among the variables.

**Table 4: Regression Coefficients**

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	0.378	0.376		1.006	0.317
	0.826	0.1	0.661	8.272	0.000
2	1.39	0.471		2.951	0.004
	0.626	0.125	0.471	5.008	0.000
3	1.384	0.304		4.548	0.000
	0.559	0.08	0.595	6.939	0.000
4	-0.097	0.358		-0.27	0.788
	0.612	0.103	0.490	5.948	0.000
	0.342	0.077	0.364	4.417	0.000

The results from the coefficients table provide insights into the relationships between budgetary practices, public participation, and financial performance of County Governments in Kenya.

**The model equation:  $FP = 0.378 + 0.826BP$ .**

The coefficient for budgetary practices (BP) is 0.826, indicating a positive and significant effect on financial performance. The t-value of 8.272 and p-value of 0.000 suggest that the relationship between budgetary practices and financial performance is statistically significant.

**The model equation:  $PP = 1.390 + 0.626BP$ .**

The coefficient for budgetary practices (BP) is 0.626, indicating a positive and significant effect on public participation. The t-value of 5.007 and p-value of 0.000 suggest that the relationship between budgetary practices and public participation is statistically significant.

**The model equation:  $FP = 1.384 + 0.559PP$ .**

The coefficient for public participation (PP) is 0.559, indicating a positive and significant effect on financial performance. The t-value of 6.939 and p-value of 0.000 suggest that the relationship between public participation and financial performance is statistically significant.

**The model equation:  $FP = -0.097 + 0.612BP + 0.342PP$ .**

The coefficient for budgetary practices (BP) is 0.612, indicating a positive and significant effect on financial performance. The coefficient for public participation (PP) is 0.342, indicating a positive and significant effect on financial performance. The t-values of 5.948 (BP) and 4.417 (PP), along with p-values of 0.000, suggest that both budgetary practices and public participation have statistically significant relationships with financial performance.

The findings indicate that both budgetary practices and public participation have positive and significant effects on the financial performance of County Governments in Kenya. The equations provide a means to predict the financial performance based on the values of budgetary practices and public participation. Moreover, the results indicate that public participation mediates the relationship between budgetary practices and financial performance, further highlighting the importance of involving the public in the budgeting processes of County Governments.

## 5.0 Conclusion

The study also concluded that public participation predicts both budgeting practices as well as the financial performance of County Governments in Kenya. The relationship between budgeting practices and financial performance was found to be partially mediated by public participation. As such, the characteristics of public participation such as constant feedback from the executive as well as the County assemblies help to improve financial performance. In addition, the conduction of public hearings on audit reports as well as the collection of information enables the public to be involved in the financial affairs of the County. This way they can have an opinion as to how County funds are spent and can hold County government officials accountable.

## 6.0 Recommendations

The study recommends that public participation be encouraged in the respective counties as a method of enhancing financial performance of the County governments. The adoption of public participation enables the public to have their say on how the County government collects and spends revenue. Moreover, it enables the county government to be aware of the priority areas of the people and what they should focus on instead. Finally, by being actively involved in the financial affairs of the County, the public helps to keep the county government accountable and transparent in their operations.

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