International Journal of Economics, Commerce and Management
United Kingdom Vol. V, Issue 5, May 2017
http://ijecm.co.uk/ ISSN 2348 0386

FACTORS INFLUENCING EFFECTIVE DEBT MANAGEMENT IN THE COUNTY GOVERNMENT OF NAIROBI, KENYA

Gitau, J. N.
School of Entrepreneurship and Procurement Management
Jomo Kenyatta University of Agriculture and Technology, Kenya
scholargitau17@gmail.com

Muendo, D.
School of Entrepreneurship and Procurement Management
Jomo Kenyatta University of Agriculture and Technology, Kenya

Abstract

This study assessed factors that influenced effective debt management in the County Government of Nairobi. It specifically examined how institutional framework and debt risk management framework influenced effective debt management. Descriptive research design was adopted. All the 247 finance/accounts staff working with the County Government of Nairobi constituted the study population. Stratified random sampling technique was used to select 55 respondents. The study employed a structured questionnaire to collect data. The questionnaire was pilot tested before it was used in collection of data for the main study. The data collected were coded and analyzed using the SPSS. Analysis constituted both descriptive and inferential statistics. The study revealed that institutional framework and debt risk management framework were positively related to effective debt management in the county government. Enhancement of institutional framework was concluded to be important in increasing effectiveness of debt management. It was further deduced that debt risk management framework was very important in addressing debt management in the County Government of Nairobi. It should be the duty of the county government to ensure that it has in place an institutional framework that can aid in better and more effective debt management. It is recommended for all county governments in Kenya to have in place a sound and feasible debt risk management framework.

Keywords: County Government of Nairobi, debt management, debt risk management framework, institutional framework

Licensed under Creative Common

INTRODUCTION

The theme of debt management describes any strategy that facilitates repayment of debt or enhances handling of debt repayment (Emerenini & Nnanna, 2015). Debt instruments for financing government debt are determined by the public debt managers premised on the delegated authority from the government. On the same breadth, it is noted that debt portfolio composition is the policy instrument of public debt managers (Wheeler, 2004). According to Togo (2007), there are distinct debt management objectives. These objectives seek to address the government's involvement in domestic bond market development and coordination of its actions with both fiscal and monetary policies. Additionally, it is stated that albeit the fact fiscal policy, monetary policy and public debt management differ, there are various interdependencies amongst their policy instruments.

For a long time, scholars have looked into the issue of debt management. There has been analysis on debt ratio where scholars have attempted to determine whether an optimal debt ratio exists or not. Optimal debt ratio is described as the one which minimizes the cost of capital for a firm while maximizing the organizational value (Weill, 2008; Margaritis & Psillaki, 2010). According to economic theory reasonable levels of debt are likely to enhance economic growth of a borrowing country. Countries borrow basically for two major reasons, which are higher investment and consumption (Soludo, 2003). They may also borrow in order to finance transitory balance of payments deficits to lower nominal interest rates abroad, lack of domestic long-term credit, or to circumvent hard budget constraints. This implies that countries borrow to boost economic growth and reduce poverty (Ijah & Ijeoma, 2013).

Governments across the world have to borrow quite often with the object of funding expenditures on public goods and services that enhance growth and increase nation's welfare. The foregoing justifies the essence of debt. In the same light, it is postulated that, the primary objective of public debt management is to ensure that the government's financing needs and its payment obligations are achieved at the lowest possible cost over both medium and long-term, at the same time factoring in prudent degree of risk (Melecky, 2007). It is opined that, the amount that a government should borrow is founded on fiscal policy upon which the targeted level of debt based on a sustainability analysis of government debt is premised.

In the United States, the maturity of Treasury debt issuance changed in a restrictive direction over the past years. For instance, monetary financing fell from 43% at end of September, 2009 to 36% one year later. Taking into account the issuance of US Treasury policy to lengthen the maturity of its issuance is necessitated by the essence of any assessment of unconventional monetary policies (Hans & Turner, 2011). Mallucci (2015) put into perspective domestic debt and sovereign debt across several countries in the world. The composition of

debt, particularly the share of domestic debt, as at the end of 2013 for both emerging and developed economies was significant. According to the report, Australia led the pack with close to 10% of internal debt share of total public debt. On the other hand, Austria at slightly less than 0.30% was on the tail end internal debt share. But, noticeably even such small economies such as Austria and Ireland, the domestic to total debt ratio was above 0.25%

Nigeria's external debt dates back to 1958. Before 1978, the amount of debt in that country was not much and was indeed sustainable (Eyiuche, 2013). The author further notes that there was little importance that was attached to debt management by Nigerian government up to late 80's. The amount of external debt increased over the years where private debt sources took precedence as opposed to official debt that has been on a sharp decline. More recent reports indicated that Nigeria reached the crescendo of its debt burden in 2003 where the government was paying an all-time-high amount of US$2.3 billion to international lenders (Okonji-Iweala et al., 2003).

The African Forum and Network on Debt and Development (AFRODAD, 2011) compiled a report on domestic debt management in Africa with a special focus on Malawi. The report was interested in examining the linkages between domestic debt and development financing, regulatory institutional framework and the role of key stakeholders in managing domestic debt. Malawi's domestic debt was analyzed from the dimensions of economic development, implementation of fiscal policy, stabilization of monetary policy, and financial sector development, and debt sustainability. The report indicated that Malawi witnessed an increase in domestic debt between 2001 and 2005. Such debt was lamented to consume a sizeable part of GDP and revenues of that country.

According to Emerenini and Nnanna (2015), rising external debt inhibits the pace of economic growth in Africa. This stems from the fact that ballooning debts increase the cost of servicing them beyond the debt sustainability limit. There are a couple of challenges that have been documented relative to decentralization in Africa (Smoke, 2003). There are justifiable dangers of decentralization. These borders on the extent and size of local government budget deficits, fiscal irresponsibility in repaying debt, amongst others.

It is observed that Kenya's debt levels are still high when compared to debt levels in other emerging and newly industrialized economies. However, it is worth noting that the government of Kenya has made major strides in the mobilization of domestic revenue to finance its spending in a bid to reduce external and internal borrowing. Indeed, it is documented that the recurrent expenditure is 100 percent financed through domestic revenue. More so, it is noted that Kenya did not seek debt relief under the heavily indebted poor countries in the year 2012. It is also noted that the country has managed to maintain reasonable debt levels (Randa, 2015).

Licensed under Creative Common

The author further states that the public debt is within tolerable levels, but maintains that further reduction of public debt would enhance confidence in the financial market.

It is noted that counties have adopted the debt management strategy which is aimed at ensuring that debt levels stay affordable and sustainable such that borrowing would be for a noble purpose and the cost of debt and risks are minimized. The medium term debt management strategy is prepared and executed by the county treasury and is formulated annually on a three year rolling basis. The strategy stipulates the borrowing needs of the county government, measures to minimize costs, specifications on debt limit, all in a bid to keep debt at sustainable levels (Randa, 2015).

A report compiled by the Nairobi City County (2016) underscored the importance of counties to pay serious attention to management of debts. The foregoing is necessitated specifically by the fact that there were huge stocks of debts that were inherited from former councils. Nairobi City County in particularly inherited significant debts from the former City Council of Nairobi which has hitherto continued to present serious liquidity challenges. It is noted that the Constitution of Kenya, 2010 and the Public Finance Management Act (PFMA), 2012 provide for the requisite framework for ensuring the country and county governments continue with prudent debt management. In the same vein, it is reported that PFMA has laid down strict procedures, accountability and reporting requirements form counties.

Statement of the Problem

The devolved governments in Kenya, otherwise referred to as county governments, were incepted in April, 2013 after the General Elections. As stipulated by the Constitution of Kenya 2010, these regional governments are supposed to sustain their operations and development agenda. However, this has hitherto not been the case as variously reported. There are several county governments which in spite of getting disbursements from the National Government through the National Treasury were found to still be reeling from massive debts running into billions of Kenya shillings (Republic of Kenya, 2016).

The accumulation of these debts stemmed from the arguments by the devolved governments that the funds at their disposal were inadequate to finance development projects and recurrent expenditure. Indeed according to Nairobi CIDP (2014), one of the three major problems that faced the finance and economic planning sector were high debt levels. The county government's objective in tandem with the foregoing challenge was to reduce debt levels by 100% by 2017. It has, however, not empirically been indicated how debts will be managed in order to achieve the stated objective. This is due to lack of studies on the same subject.

Licensed under Creative Common

There are some empirical studies that have hitherto been conducted in respect of debt management. Lemma (2012) examined capital and debt maturity structures. However the study did not link debt structure to debt management. Muthui, Kosimbei, Maingi and Thuku (2013) studied the impact of public expenditure components on economic growth. Though the study examined the government structure, the issue of debt management was not addressed. Moreover, Wagacha and Ngugi's (2009) study noted that it is imperative to have a robust risk management framework that is able to identify and mitigate risks. However, the institutional framework was not linked to effective debt management. More so, one of the main challenges in light of debt management at these levels of government was found to be borrowing from lenders who pegged the interest rates on loans highly. In other words, some county governments had huge debts which had accrued from high interest loans from financial institutions (Republic of Kenya, 2016). Excess debts were likely to crumble down the operations of these governments particularly provision of services to the general public. The development projects which are capital investments were further likely to stall or take long before they were completed.

Indeed, the magnitude of ineffective debt management was recently put into perspective by the Central Bank of Kenya's directive to commercial banks not to extend any credit facilities to County Governments. At the same time, the national treasury expressed concern over counties borrowing money without permission from the national government. In the 2014/15 financial year four counties borrowed a total of KShs 1.9 billion (Government of Kenya, 2016). The foregoing begged the question, "What are the factors that influence effective debt management at County Governments?" The present study, therefore, examined the stated problem by responding to the foregoing question.

General Objective

To assess factors influencing effective debt management in the County Governments in Kenya

Specific Objectives

i. To analyze the effect of institutional framework on effective debt management in the County Government of Nairobi
ii. To determine how debt risk management framework affects effective debt management in the County Government of Nairobi

Research Hypotheses

H_{01}: There is no significant effect of institutional framework on effective debt management in the County Government of Nairobi

Licensed under Creative Common

H_{02}: There is no significant effect of debt risk management framework on effective debt management in the County Government of Nairobi.

THEORETICAL FRAMEWORK

This section covers a review of theories pertinent to debt management in respect to the present study. The theories reviewed included stakeholder theory, contingency theory, and debt management theory.

Stakeholder Theory

The stakeholder theory is accredited to Freeman (1984). The theory provides an appropriate viewpoint for considering a more complex perspective of the value that stakeholders seek in addition to new ways of measuring it. Indeed stakeholder theory has infiltrated public policy (Freeman, Harrison, Wicks, Parma & de Colle, 2010). Freeman (1984) opines that stakeholder theory exists in tension with shareholder theory. Stakeholder theory illustrates institutional framework and provides an avenue for linking ethics to strategy (Phillips, 2003).

It is stated that in tandem with stakeholder theory, institutions that diligently purpose to serve the interests of a broad group of stakeholders are bound to create more value over time (Harrison & Wick, 2009). However, critics of the stakeholder theory (Scherer & Pater, 2011) argue that there are so many different interpretations of basic stakeholder ideas that theory development has been difficult. In the context of county governments, the stakeholder theory can be relevant in that there diverse stakeholders with various interest; the most important being the public. As such, the institutional framework guiding the running and functionaries of county governments should be alive to the interests of all stakeholders.

Contingency Theory

Contingency theory was proposed by Fiedler (1964). The theory holds that there is no best way to organize an institution or entity or to make decisions. However, the optimal course of action is contingent upon the internal and external situations. According to Woods (2007) contingency theory provides an important framework for the study of public sector risk management control systems. Woods observed that there has been great emphasis by governments on the need for better risk management within the public sector and as such government have come up with documents that contain guidelines on how to set up a risk management system.

At local government (locally referred to as county government) level, risk management forms part of a broader governance framework that was developed jointly by Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives

Licensed under Creative Common

(SOLACE). This is according to CIPFA (2001). The framework identified risk management and internal control defining principles of good governance and recommended each local government to establish systems for the identification, evaluation, and monitoring of risks, and undertake annual assessment of the risk management and internal control systems (Woods, 2007). In line with contingency theory and recommendations of CIPFA, county governments in Kenya can better manage various risks and notably financial risks that often face them.

Theory of Debt Management

Theory of debt management was proposed by Faraglia, Marcet and Scott (2008). The theory holds that the composition of government debt ought to be chosen in order to ensure that fluctuations in the market value of debt offset changes in anticipated future deficits. It is, in the same, light observed that in reference to this theory, governments should issue long-term debt and invest in short-term assets (Faraglia et al., 2008). This theory further states that in line with debt management, fiscal policy and debt structure should be jointly determined. This stems from the reasoning that one of the major determinants of fiscal policy is the government's ability to offset unexpected fluctuations in government expenditure or revenue by management the size, composition and value of debt (Faraglia et al., 2008).

Indeed, Turner (2011) and Blommestein and Turner (2012) observed that the separation of debt management from monetary policy worked well and remain unchallenged till the global financial meltdown, where a new era of fiscal dominance took over. As such, these authors underscore the rationale of addressing the themes of monetary policy and debt management in consonance. It is further averred that indeed debt management plays a role in reducing fiscal vulnerability by providing insurance against macroeconomic shocks which affect the government budget.

In tandem with the foregoing, Borenzstein and Mauro (2004) opine that in order to reduce fiscal vulnerability which may oblige cutting of spending programmes, the government ought to issue debt instruments whose returns that effectively address government consumption. The theory of debt management can be employed to explain how County Governments can determine the composition of their debts and debt structure in conformance with their respective fiscal policies.

EMPIRICAL REVIEW

Empirical studies on various aspects of debt management hitherto carried out at global, regional, and local levels are reviewed. The studies reviewed are on institutional framework, debt risk management framework and effective debt management.

Licensed under Creative Common

Institutional Framework

Steiner (2008) embarked on the impact of institutional frameworks on private sector participation in water supply and sanitation with a special focus on management contract for wastewater services in Jordan. The study took considered the specific institutional framework for the contract that comprised of the judicial, political and the specific regulatory institutions among others. Upon the examination of the institutional framework of the management contract, it was noted that judicial and international institutions constrained the discretion of contracting parties. On the other hand, political checks and balances were inadequately developed as well as the regulatory institutions. As such, the study found that the discretionary power of various actors were used for self-interest and negatively affected the outcome of private sector participation in water supply and sanitation in Jordan. However, the general performance of the management contract was good.

According to Draskovic and Stjepcevic (2012) specific institutional frameworks are vital for supporting corporate governance in an organization. The authors established that underdeveloped social, political and economic institutional frameworks were the major causes of inefficient corporate governance when they looked into institutional framework of corporate governance while focusing on former Yugoslav transition economies. Gonzalez (2003) on the other hand focuses on the banking regulation, institutional framework and capital structure while relying on industry data from the European Union, United States and Japan. The author investigates the degree to which banking regulation and institutional environment affect corporate finance decisions. It is found that prudential banking regulation influenced industry indebtedness. Further, it was suggested that prudential rules made it easier for firms to access credit markets.

A paper on decentralization and service delivery in Nigeria documents that decentralization is vital for better service delivery (Ekpo, 2008). This is ascribed to the presumption that lower level government are better placed at pointing out the demands and needs of their constituents for public services than centralized government. In his paper, the author further notes that the effects of decentralization are anchored in its design and framework, that is the specific functional responsibilities developed to sub-national governments, the changes in the sub-national financing rules, such as borrowing rules and the changes in the sub-national accountability. The author further cautions that decentralization ought to be supported by legislative framework which not only defines the responsibilities and powers of the sub-national governments but also outlines the relationship between the central and the lower government.

Licensed under Creative Common

While looking into the impact of public expenditure components on economic growth, Muthui, Kosimbei, Maingi and Thuku (2013) observe that the structure of government spending in Kenya favored consumption and paying local and foreign debts at the expense of capital expenditure between years 1991 to 1993. As such, the authors note that the country' economic performance declined to very low levels. However, in recent years, the recurrent expenditure has been observed to steadily decline as a result of the structural adjustment programs which have consequently stimulated economic growth (Republic of Kenya, 2002).

Debt Risk Management Framework

Risk management in the discipline of banking was examined (Islam, Islam & Zaman, 2013). The authors comparatively examined the risk management in selected conventional and Islamic banks in Bangladesh. The study discovered that both conventional and Islamic banks were aware and concerned with the various types of risks, however, there existed variations between the banks in understanding risk and risk management practices. Conventional banks were noted to attach more importance to the advanced methods of risk management and mitigation while the Islamic banks employed the traditional techniques of managing risks. The study concluded that risk management is one of the core of all the strategic management of banks and as such, it is imperative for financial institutions to have sound risk management practices.

Lai and Samad (2011) determined the enterprise risk management framework and the determinants of its implementation among selected public listed companies in Malaysia. The enterprise risk management framework covered governance, structure and process dimensions in these companies. The study employed primary data obtained through questionnaire survey from the 128 public listed companies on the Malaysian bourse. The study findings indicated that implementation of enterprise risk management had significant affirmative effect on reducing cost of financial distress, and improving firm's credit rating. More so, it was established that its implementation lowered the cost if external financing among the surveyed companies.

The life cycle risk management framework was investigated in the context of public-private partnership infrastructure projects (Zou, Wang & Fang, 2008). The study aimed at developing a life cycle risk management framework for public-private infrastructure projects for them to realize the value for money and serve the interests of different partners. The authors found that proper assessment of risks through optimal risk identification, allocation and management, and ensuring value for money were fundamental factors in public-private partnership infrastructure projects success. The study concluded that it is essential to continuously monitor risks by having risks management strategies in place for success of the projects.

Licensed under Creative Common

It is observed that risk identification, mitigation and management is important for continued profitability of the microfinance institutions, however, Bennet, Kenneth, Obenewaa, Charles and Nusenu, (2012) in their study on risk management and its effect on microfinance profitability established that risk identification and management remained a challenge to most Nigerian microfinance institutions. A study on the performance management within the parameters of the public finance management act was conducted (Roos, 2009). The study aimed at examining the state of research and knowledge on performance auditing and performance reporting and how the two could be applied in the public sector in South Africa. In the study, it was noted that effective risk management framework was one of the core requirements of the public finance management act that accounting officers were compelled to maintain in their entities.

It is asserted that public organizations in Kenya have been faced with risks that emanate from weak internal controls which oftenly result to loss of funds for the organizations (Njoroge, 2003). It is as a result that Wagacha and Ngugi's (2009) study noted that it is imperative to have a robust risk management framework that is able to identify and mitigate risks in order to ensure that threats are controlled beforehand. While investigating the effectiveness of internal control and audit in promoting good governance in the public sector in Kenya, Njui (2012) established that internal controls had an effect on risk management in the public sector. The results therefore suggested that strong internal controls are important in ensuring effective risk management in the public sector.

Effective Debt Management

According to a study on public debt management in developing countries, it is noted that good public debt management help can not only help in reducing borrowing costs but also aid in the development of domestic financial markets which are important in facilitating economic development and make the economy more robust to absorb external shocks (Balino & Sundararajan, 2008). Therefore, the authors further document that it is of utmost importance to have sound debt management strategy that can be implemented for efficient management of debt. The authors cited countries such as Costa Rica, Peru, Brazil and Sri Lanka that have improved their debt structure, developed debt management strategies, improved transparency and communication in addition to improving governance framework.

A study on the strategies for external debt management was conducted in Nigeria (Worlu, 2011). The study sought to examine the difference between gross domestic product before and after debt management strategies and also determine the extent to which debt management strategies influenced economic development. It was ascertained that external debt management and servicing was significant on economic growth. In another study, Okegbe

Licensed under Creative Common

(2012) explored on the impact of external debt management on selected macroeconomic indicators in Nigeria from the year 1970- 2010. The author pointed out diffusion in the management of loan, poor documentation and deficient external debt accounting and politics in the management of debt in the 1980s and 90s.

An empirical analysis of the impact of debt on the Nigerian economy was carried out (Ijah, 2013). The study purposed to assess the impact of debt on selected macroeconomic indicators in Nigerian economy. External debt stock, external debt service payment and exchange rate were used as proxies for debt and their effect on gross domestic product and gross capital formation assessed for the period 1980 to 2010. The study concluded that there was a dire need for proper management and accountability for debt, channel borrowed funds to the purpose in which they were borrowed or in order to bring sustainable development.

According to Randa, (2015) the Kenya's public debt is within tolerable levels but a reduction of the debt would be vital for improving confidence in the financial markets and expansion of fiscal space. The author further noted that public debt declined from 60 percent of gross domestic product to below 50 percent in 2010. More so, according to PEFA assessment report (2012), there have been an improvement in capacity and regulatory framework for debt management, however, progress needs to be sustained (Larbi, Wangusi & Cole, 2015). The report further documents that there have been a decline in public debt transactions from 21.4 percent in 2007/2008 to approximately 15.7 percent in 2010/2011. This was ascribed to the introduction of medium term debt management strategy in 2008 which called for a shift in the composition of debt towards long term domestic debt over medium term in order to minimize cost and risk associated with the debt.

Muema (2015) embarked on the effect of equity bank's financial management training programme on small-scale farmers' uptake of credit in Makueni County in Kenya. The study aimed at determining the effect of the bank's financial training programme on the uptake of credit among small-scale farmers. Using debt management as one of the facets of the training programme, the study ascertained that indeed debt management led to an increase in credit uptake among the farmers. The author underscored the essence of education on debt management in order to increase uptake of credit by the farmers. The study however did not expound on the strategies of debt management.

In another study, Buluma and Obande (2015) embarked on the corporate governance and financial management in the context of devolved system of government in Kenya. The study aimed at investigating the relationship between corporate governance and financial management practices in local authorities before devolution. It was established that local authorities held large debt burden, operated huge bank overdraft and practiced poor financial

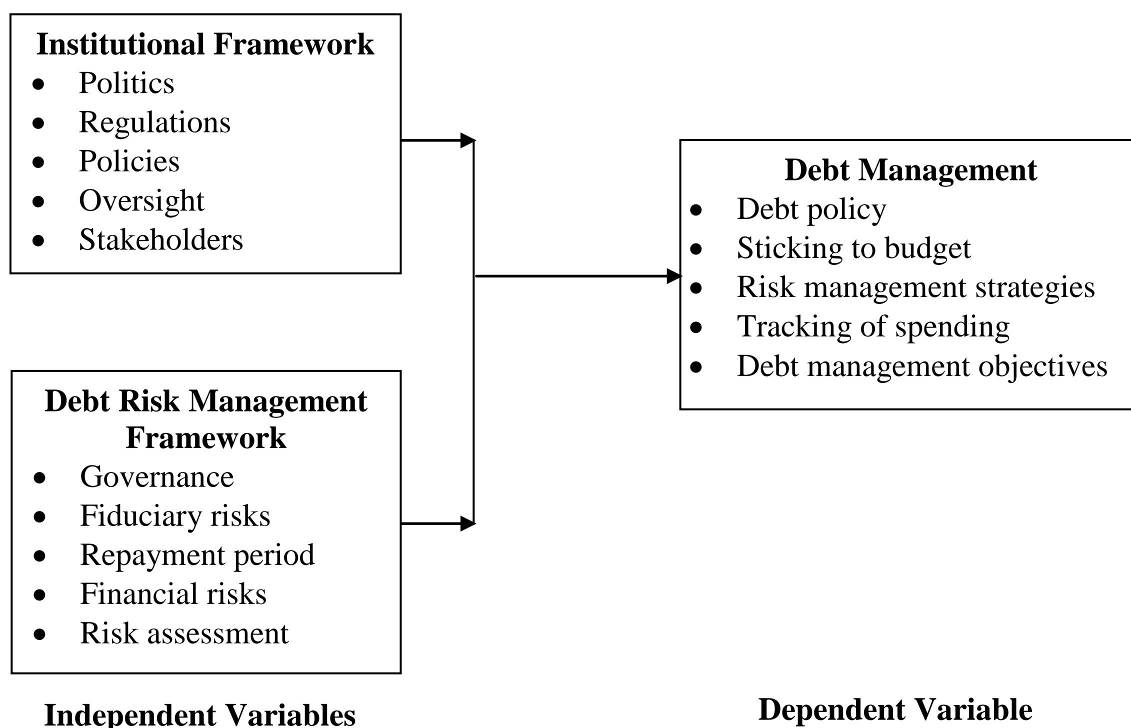
Licensed under Creative Common

management practices. It was further noted that poor financial management practices was as a result of poor governance issues.

Conceptual Framework

A conceptual framework is a diagrammatic representation of perceived interaction amongst study variables as outlined in Figure 1.

Figure 1: Conceptual Framework



METHODOLOGY

This section focuses on the procedure of carrying the research study in order to address the research problem and objectives as earlier stated. It outlines the research design, target population, sampling procedure, research instrument, pilot testing, data collection procedure and indeed how the collected data were analyzed and resultant findings presented.

Research Design

A research design is essentially a blueprint of conducting a research study (Kothari, 2004) which essentially implies that it provides the framework of carrying out the study. Descriptive research design was adopted in this study. Descriptive studies are said to describe the phenomenon as it is without alteration.

Licensed under Creative Common

Target Population

The target population is an aggregate of individuals who share common characteristics or character traits. In the context of the present study, all the 247 finance/accounts staff working with the County Government of Nairobi constituted the target population. The foregoing employees were chosen due the reasoning that they were the most conversant individuals relative to issues touching on debt and debt management in their jurisdiction.

Sample Size and Sampling Technique

This section puts into perspective the sampling frame; how the sample size was scientifically obtained, and the procedure of drawing the sampled respondents from the target population. The study adopted a formula by Nassiuma (2008) to calculate the size of the sample as outlined hereafter.

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

n = Sample size

N = population size

C = Coefficient of variation (21% ≤ C ≤ 30%)

e = Error rate (2% ≤ *e* ≤ 5%)

Substituting the values in the equation:

$$n = \frac{223(0.25)^2}{0.25^2 + (223-1)0.03^2}$$

n = 53.14

n = 54 respondents

Therefore, the sample size was equal to 54 respondents. The study adopted stratified random sampling technique to obtain the 55 sampled respondents from the target population (247). Stratified random sampling is a method that is adopted when there is some degree of heterogeneity among respondents. According to Olsen and George (2004), in cross-sectional studies, subgroups of people may possess different views. As such all subgroups must be adequately represented in the study sample. This method, therefore, was chosen based on the argument that the foregoing sub-counties had different number of accounts/finance staff. This technique thus ensured fair and equitable distribution of respondents in the County headquarters and across all Sub-Counties in Nairobi County. Therefore, distribution of

Licensed under Creative Common

respondents was proportionate to the number of aforementioned staff working in the aforementioned workstations.

Research Instrument

A research instrument is essentially used to facilitate data collection from the respondents. The present study employed a structured questionnaire to collect the requisite data from the sampled respondents. The questionnaire was self-designed by the researcher. The questionnaire is recommended when the respondents are relatively many and literate enough to comprehend the questions therein (Kothari, 2004; Mugenda & Mugenda, 2009). The questionnaire consisted of close-ended questions exclusively. It had two major parts; the first one was about background information of both the respondents and the County Government, while the second part sought to capture data pertinent to all study variables (debt structure, institutional framework, accountability, debt risk management framework, and effective debt management).

Pilot Testing

The research questionnaire was pilot tested before it was used in collection of data for the main study. The pilot study involved accounts/finance staff randomly selected from Westlands Sub-County which is one of the 9 sub-Counties constituting the County Government of Nairobi. This implies that the participants in the pilot study did not take part in the main study. The rationale of carrying out this study was to ensure that probable weaknesses in the questionnaire were addressed prior to data collection for the main study. The foregoing was realized through determination of both validity and reliability of the research instrument.

Validity Testing

Validity test seeks to determine whether or not the research instrument measures what it purports to measure (Kimberlin & Winterstein, 2008). There are various types of validity. However, in the present study, the interest was to determine the content validity of the questionnaire. Content validity was determined through consultation with University supervisors given that this validity cannot be statistically determined. After determination some of the items in the questionnaire were revised according to the recommendations of the supervisors.

Reliability Testing

Reliability is a test of internal consistency of the research instrument (questionnaire). A reliable instrument is that which can be used to collect similar data when administered on related

Licensed under Creative Common

respondents. The study adopted the Cronbach alpha coefficient (α) which is the most widely recommended test of internal consistency (Kimberlin & Winterstein, 2008). The reliability threshold was alpha equal to or greater than 0.7. This meant that only those questions under each variable that returned alpha coefficient equal to or greater than 0.7 were factored in the final questionnaire. The results of the reliability tests are as shown in Table 1.

Table 1: Reliability Test Results

Study Construct		Test Items	Cronbach Alpha Coefficient
i.	Institutional framework	5	0.790
ii.	Debt risk management framework	6	0.782
iii.	Effective debt management	8	0.808

As shown in Table 1, all the three study constructs returned Cronbach alpha coefficients greater than 0.7. This implied that the study variables were found to be reliable.

Data Collection Procedure

The relevant permits were obtained prior to data collection. A formal letter was obtained from the University to be allowed to move on with data collection. This was followed by obtaining the consent of administration of the County Government of Nairobi. The questionnaires were issued to the sampled respondents through their respective sectional heads and supervisors. The researcher strived to ensure that the questionnaires were filled on the spot and where circumstances proved impossible, the respondents were allowed approximately 5 working days to fill them. The filled questionnaires were collected from the respondents through sectional heads.

Data Analysis Approach

The collected questionnaires were scrutinized to determine their completeness and appropriate filling. The data collected using the questionnaires were coded and analyzed with the help of the Statistical Package for Social Sciences (SPSS) Version 21. Data analysis constituted both descriptive and inferential statistics. Descriptive statistics will focus on measures of distribution (frequencies and percentages), measures of central tendencies (means), and measures of variation (standard deviations). On the other hand, inferential statistics captured Spearman rank correlation coefficient and multiple regression. The study findings were presented in form of tables.

Licensed under Creative Common

The following multiple regression model was adopted.

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

Where:

Y	=	Effective Debt Management
B_0	=	Constant
X_1	=	Institutional Framework
X_2	=	Debt Risk Management Framework
ε	=	Error Term
β_1, β_2	=	Regression coefficients

FINDINGS AND DISCUSSIONS

Response rate

According to Nulty (2008), response rate is also referred to as questionnaire return rate and describes the proportion of the number of questionnaires that are returned having been filled completely and appropriately. In survey studies, the response rate threshold is 75%. In the present study, a total of 55 questionnaires were issued to the sampled respondents. The questionnaires that were collected and were filled accordingly totaled 52. The foregoing represented 94.55% response rate which was deemed satisfactory (Nulty, 2008).

Descriptive Analysis

This section focuses on the results of descriptive analysis and pertinent interpretations. The data analyzed in this section were on a 5-point Likert scale where integers 1 to 5 represented level of agreement from strongly disagree to strongly agree respectively. The findings herein are pertinent to the three study constructs representing the study objectives. These include institutional framework, debt risk management framework, and effective debt management.

Institutional Framework

The study analyzed the views of the sampled respondents in respect to issues touching on institutional framework and in light of debt management at the County Government of Nairobi. The relevant descriptive findings are as shown in Table 2.

Licensed under Creative Common

Table 2: Descriptive Statistics for Institutional Framework

	n	Min	Max	Mean	Std. Dev.
The county assembly oversights debt management	52	3	5	4.69	.614
The executive formulates policies that govern debt management in the county	52	3	5	4.38	.633
Debt management is influenced by the political class in our county government	52	4	5	4.38	.493
There are specific regulations that govern debt management in our county government	52	3	5	4.15	.540
All relevant stakeholders are consulted before the county government borrows any funds	52	1	3	1.77	.706

The study revealed that it was generally strongly agreed that the county assembly oversights debt management in the county government (mean = 4.69; std dev = 6.14). In the same light, it was concurred that executive formulated policies that governed debt management in the county (mean = 4.38; std dev = 0.633); debt management was influenced by the political class in the county government (mean = 4.38; std dev 0.493); and also that there were specific regulations that governed debt management in the county government (mean = 4.15; std dev = 0.540). However, it was generally disagreed that all relevant stakeholders were consulted before the county government borrowed any funds (mean = 1.77; std dev = 0.706).

Debt Risk Management Framework

The study further analyzed the views held by accountants and finance officers regarding framework for debt risk management in the County Government of Nairobi. Table 3 shows a summary of the respondents' views.

Table 3: Descriptive Statistics for Debt Risk Management Framework

	n	Min	Max	Mean	Std. Dev.
Risk assessment influences credit rating of our county government	52	4	5	4.54	.505
Degree of risk is associated with repayment period of the borrowed funds	52	4	5	4.38	.493
The issues of governance are considered when procuring debt	52	3	5	4.23	.583
The county government maintains an effective risk assessment framework	52	4	5	4.15	.366
Every debt procured is associated with fiduciary risks	52	2	5	4.15	.779
The debt repayment period determines the possibility of default by the county government	52	1	5	3.54	1.466

Licensed under Creative Common

It was strongly agreed that risk assessment influenced credit rating of the County Government of Nairobi (mean = 4.54; std dev = 0.505). The sampled respondents agreed that the degree of risk was associated with repayment period of the borrowed funds (mean = 4.38; std dev = 0.493); the issues of governance were considered when procuring debt (mean = 4.23; std dev = 0.583); and that the county government maintained an effective risk assessment framework (mean = 4.15; std dev = 0.366). The study further revealed that every debt procured was associated with fiduciary risks (mean = 4.15; std dev = 0.779). Although, the sampled accountants and finance officers were of the view that the debt repayment period determined the possibility of default by the county government (mean = 3.54), the relatively large deviation (std dev = 1.466) exemplified the wide range of views in respect to the foregoing statement. In other words, through majority were in agreement, there was a significant number of respondents who disputed that possibility of default by the County Government of Nairobi was influenced by the debt repayment period.

Effective Debt Management

Lastly, the study assessed the views of the respondents regarding effective debt management in the County Government of Nairobi. The summarized views are as shown in Table 4.

Table 4: Descriptive Statistics for Effective Debt Management

	n	Min	Max	Mean	Std. Dev.
The county government factors in borrowed funds in budgeting	52	4	5	4.77	.427
The county government tracks spending in all departments	52	4	5	4.54	.505
The county government is guided by a clear debt policy	52	3	5	4.23	.706
The county government has sound debt management strategies	52	2	5	4.08	.852
The county government stakeholders agree on the expenditures for which the funds should be borrowed	52	2	5	3.85	.961
The county government prefers to borrow externally as opposed to internally	52	3	5	3.77	.810
The county government expenditure sticks to the stipulations of the budget	52	1	4	2.23	.902
There is insincerity in the use of borrowed funds in the county	52	1	3	2.15	.779

The sampled accountants and finance officers strongly concurred on two issues. First, they strongly agreed that the county government factored in borrowed funds in budgeting (mean = 4.77; std dev = 0.427). Second, they strongly believed that the county government tracked spending across all departments (mean = 4.54; std dev = 0.505). Moreover, the study observed that respondents were in agreement that the county government was guided by a clear debt policy (mean = 4.23; std dev = 0.706), and had sound debt management strategies (mean =

Licensed under Creative Common

4.08; std dev = 0.839). In addition, it was concurred that the county government stakeholders agreed on the expenditures for which the funds should have been borrowed (mean = 3.85; std dev = 0.961); and also that the government preferred to borrow externally as opposed to internally (mean = 3.77; std dev = 0.810). However, it was largely disagreed that the county government expenditure stuck to the stipulations of the budget (mean = 2.23; std dev = 0.902); and that there was insincerity in the use of borrowed funds in the county.

Inferential Analysis

This section puts into perspective the results of inferential analysis and pertinent interpretations. Inferential analysis is employed to show the link between the predictor (independent) variables and the dependent variable. As such, it is important in facilitating drawing of pertinent conclusions in line with the study objectives. In the present study, Spearman rank correlation and multiple regression analyses have been employed.

Correlation Analysis and Interpretations

The Spearman rank correlation was employed to show the nature of the relationship between independent variables (institutional framework and debt risk management framework) and the dependent variable which was effective debt management. The results of the correlation analysis are outlined in Table 5.

Table 5: Spearman Rank Correlation Matrix

			1	2	3
Spearman's rho	Institutional Framework (1)	Correlation Coefficient	1.000		
		Sig. (2-tailed)	.		
	Debt Risk Management Framework (2)	Correlation Coefficient	.563**	1.000	
		Sig. (2-tailed)	.000	.	
	Effective Debt Management (3)	Correlation Coefficient	.169	.618**	1.000
		Sig. (2-tailed)	.303	.000	.
		n	52	52	52

**. Correlation is significant at the 0.01 level (2-tailed).

As indicated in Table 5, there existed a positive, weak and not significant relationship between institutional framework and effective debt management ($r_s = 0.169$; $p = > 0.05$). Essentially, the findings meant that as the institutional framework was enhanced, there was a likelihood, though relatively little, of having more effective debt management. In addition, the study established that there existed a positive, strong and significant relationship between debt risk management

Licensed under Creative Common

framework and effective debt management (r_s = 0.618; p = < 0.05). The foregoing results were interpreted to mean that the more sound the aforesaid framework was, the greater the likelihood that the County Government of Nairobi was to manage its debt more effectively.

Regression Analysis and Interpretations

In this section, the results of multiple regression analysis and pertinent interpretations are addressed. The rationale of the analysis was to illustrate and explain how the various factors under study (institutional framework and debt risk management framework) contributed towards effective debt management in the County Government of Nairobi. The results of the analysis were presented in form of general correlation (R) that shows the correlation between the combined factors under study and effective debt management. Other statistics used include the coefficient of determination (R^2) that shows the extent to which the various factors under study contribute towards effective debt management.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714[a]	.509	.482	.18415

a. Predictors: (Constant), Institutional Framework, Debt Risk Management Framework

The results indicated in Table 6 show that the general relationship between institutional framework and debt risk management framework on one hand, and effective debt management on the other, was positive and strong (R = 0.714). Moreover, it was revealed (R^2 = 0.509) that institutional framework and debt risk management framework explained 50.9% effective debt management. In other words, 50.9% of how effectively the County Government of Nairobi addressed management of its debt could have been attributed to the factors studied. The remaining proportion (49.1%) of effective debt management could have been as a result of other factors not examined in the current study.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.267	2	.634	18.683	.000[a]
	Residual	1.221	36	.034		
	Total	2.488	38			

a. Predictors: (Constant), Institutional Framework, Debt Risk Management Framework

b. Dependent Variable: Effective Debt Management

Licensed under Creative Common

The results shown in Table 7 implied that the general relationship between the predictor variables (institutional framework and debt risk management framework) and effective debt management was statistically significant ($F = 18.683$; $p < 0.05$). The findings underpinned the importance of the County Government of Nairobi to consider all the foregoing factors when addressing debt management.

Table 8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	2.215	.393		5.641	.000		
Institutional Framework	-.182	.102	-.237	-1.788	.082	.778	1.285
Debt Risk Management Framework	.526	.088	.794	5.999	.000	.778	1.285

a. Dependent Variable: Effective Debt Management

The interpretation of the regression coefficients follows the following regression model.

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

In the above model, variables Y, X_1, and X_2 represented effective debt management, institutional framework and debt risk management framework respectively. The suitability of the present model was subjected to diagnostic or multicollinearity tests whose results are expressed in form of tolerance levels and variance inflated factors (VIF) as shown in Table 8. As shown in the findings, the tolerance levels across all predictor variables, that is, institutional framework and debt risk management framework were found to be greater than 0.1. In similar terms, the VIF across the foregoing constructs were found to be less than 10. This implied that the variables were not prone to multicollinearity problems since there was no statistically significant multicollinearity (Freund & Littell, 2000). This further meant that the influence of each of the mentioned independent variables on effective debt management was not dependent on other predictor variables. The results of the diagnostic tests justified the suitability of the regression model as it was initially. The foregoing model is interpreted as follows.

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

$$Y = 2.215 - 0.182X_1 + 0.526X_2$$

As shown in the model above the institutional framework returned negative coefficient ($\beta_1 = -0.182$) while the second explanatory variable (debt risk management framework) returned positive coefficient ($\beta_1 = 0.526$). The foregoing was addressed by finding the multiplicative term for the institutional framework variable. In general negative regression coefficients are

Licensed under Creative Common

expressed as exp (β_1) < 1 while positive coefficients are express as exp (β_1) > 1. Therefore, the regression coefficients for the explanatory variables are as follows:

X_1 = exp (β_1) = 1 – 0.182 = 0.818

X_2 = exp (β_2) = 1 + 0.526 = 1.526

Therefore, the following regression model:

$Y = 2.215 - 0.182X_1 + 0.526X_2$

Was interpreted as follows:

While holding other factors constant, increasing institutional framework by 1 unit led to 0.818 increment in effective debt management. Lastly, increasing debt risk management framework by 1 unit would result in 1.526 increment in effective debt management. In the foregoing scenarios, each predictor variable is related to effective debt management while holding other factors, including the ones studied, constant. The regression findings indicated that debt risk management framework was the most important parameter of addressing debt management in the County Government of Nairobi while institutional framework was the least important.

Hypotheses Testing

The results of the t-statistics were employed to test the null hypotheses. The hypotheses were tested at 95% confidence level which was equivalent to 5% p-value. In tandem with this assertion, the statistical results indicated in Table 8 shows the significance or lack thereof of the influence of the predictor variables (institutional framework and debt risk management framework) on effective debt management. The null hypotheses were tested as follows.

i. **H_{01}**: There is no significant effect of institutional framework on effective debt management in the County Government of Nairobi.

   H_A: There is significant effect of institutional framework on effective debt management in the County Government of Nairobi.

   T-test statistics results = ($t = -0.237$; $p > 0.05$)

   The results of the t-statistics showed that the influence of institutional framework on effective debt management was not significant.

   The first null hypothesis (**H_{01}**), therefore, failed to be rejected.

ii. **H_{02}**: There is no significant effect of debt risk management framework on effective debt management in the County Government of Nairobi.

   H_A: There is significant effect of debt risk management framework on effective debt management in the County Government of Nairobi.

   T-test statistics results = ($t = 5.999$; $p < 0.05$)

Licensed under Creative Common

The results of the t-statistics showed that the influence of debt risk management framework on effective debt management was significant.

The second null hypothesis (**H_{02}**) was, therefore, rejected.

SUMMARY

The study noted that the county assembly played an oversight role relative to debt management in the county government. It was indicated that the executive formulated policies that governed debt management in the county, and also that debt management was influenced by the political class in the county government. According to the study findings, there were specific regulations that governed debt management in the county government. Moreover, it was revealed that not all relevant stakeholders were consulted before the county government borrowed any funds. It was found that as the institutional framework was enhanced, there was a likelihood, though relatively little, of having more effective debt management. The foregoing findings were in tandem with the revelations made in a study conducted by Ekpo (2008). The latter study had noted that decentralization factored in design and institutional framework that spelt out various rules at sub-national financing such as borrowing rules. These results mirrored the findings of the present study where it was found that there were particular rules that facilitated the governing of debt management in county governments.

The study noted that risk assessment influenced credit rating of the County Government of Nairobi. It was also found that the degree of risk was associated with repayment period of the borrowed funds. The study indicated that the issues of governance were considered when procuring debt, and that the county government maintained an effective risk assessment framework. The findings concurred with Wagacha and Ngugi's (2009) observations that a robust risk management framework could facilitate identification and addressing of risks. The study further revealed that every debt procured was associated with fiduciary risks. A significant number of respondents disputed the possibility of default by the County Government of Nairobi to be influenced by the debt repayment period. It was revealed that the more sound the aforesaid framework was, the greater the likelihood that the County Government of Nairobi was to manage its debt more effectively. Similarly, the present findings largely supported the inference drawn in a study by Zou et al (2008) that it was important to persistently monitor risks by having in place risk management strategies in order to enhance success of projects. Therefore, it was imperative to deduce that the success of the County Government of Nairobi through effective debt management could have been linked to debt risk management framework that encompasses various debt risk management strategies.

Licensed under Creative Common

The study noted that that the county government factored in borrowed funds in budgeting, and also tracked spending across all its departments. The study observed that the county government was guided by a clear debt policy and had sound debt management strategies. This was in contrast with the observations made in a study by Buluma and Obande (2015) that had noted that devolved governments had huge debt burden which implied that their debt management strategies were questionable. In addition, it was revealed that the county government stakeholders agreed on the expenditures for which the funds should have been borrowed, and also that the government preferred to borrow externally as opposed to internally. The foregoing results contradicted observations made by Larbi et al (2015 that the Government of Kenya preferred long term domestic debt over medium term debt.

Though there was sincerity in the use of the borrowed funds in the county, the county government expenditure was found to fail to stick to the stipulations of the budget. Amongst all the factors studied, debt risk management framework was found to be the most important relative to addressing debt management in the county government. The study found that debt structure, institutional framework, accountability, and debt risk management framework explained almost half of effective debt management in the County Government of Nairobi. The study established that debt risk management framework was the most important parameter of addressing debt management in the County Government of Nairobi while institutional framework was the least important.

CONCLUSIONS

According to the study findings, it was concluded that the County Assembly played an oversight role in the management of debt in the county government. As such, another conclusion made was that debt management was influenced by politicians particularly within the county. It was inferred that the executive arm of the county government was tasked with formulation of policies governing debt management. The study further concluded that the county government selectively consulted stakeholders before effecting any borrowing. Moreover, enhancement of institutional framework was concluded to be important in increasing effectiveness of debt management. The conclusions drawn in this study mirrored the opinion of Ekpo (2008) that institutional framework and design that showed the various rules such as those on borrowing was factored in by devolved governments.

The study concluded that risk assessment was crucial in credit rating the County Government of Nairobi. The study also deduced that there was a link between degree of risk and repayment period of the borrowed funds. Besides having an effective risk assessment framework, the County Government of Nairobi factored in governance issues when procuring

Licensed under Creative Common

debt. The study further concluded that the debts procured were prone to fiduciary risks. It was concluded that debt risk management framework was very important in addressing debt management in the County Government of Nairobi. The conclusions drawn in this study were in agreement with the views presented in a past study by Wagacha and Ngugi (2009) that a robust risk management framework had the capacity to facilitate identification of risks and also addressing or mitigating the identified risks.

RECOMMENDATIONS

The relevant authorities and agencies including the county assembly should actively oversight the procurement and management of debt by the county government. The formulation of policies and strategies for addressing debt management should bring on board all relevant stakeholders including members of the public. It is recommended that politicians and politics should be excluded when procuring debt; rather, they should be delimited to playing an oversight role on debt management. It should be the duty of the county government to ensure that it has in place an institutional framework that can aid in better and more effective debt management.

The study recommended that it is important to assess the risks associated with various forms of credit prior to embarking on debt procurement. In this regard, therefore, it is advisable to have an effective risk assessment framework upon which the county government can rely when making decisions regarding debt procurement. Integrity, ethics and governance should be observed at all times when procuring debt so that the process would be to the benefit of the constituents of the county. Importantly, it is recommended for all county governments in Kenya to have in place a sound and feasible debt risk management framework.

LIMITATIONS

The study faced a couple of limitations particularly during data collection. The fact that the research instrument was fully structured in that it contained close-ended questions was a factor that curtailed the manner in which the respondents granted their views in regard to effective debt management. This challenge was addressed by ensuring that the instrument was able to objectively and comprehensively address issues revolving around effective debt management. This was ensured through pilot testing of the instrument particularly to determine its validity. The skepticism of some of the respondents was another limitation. In this respect, some respondents were not willing to participate in the study for fear of being reprimanded by their superiors. The foregoing issue was addressed first by seeking the requisite consent from the top administrators of the county government. Secondly, the participating respondents were assured

Licensed under Creative Common

that their identity was to remain anonymous during and after the study was conducted. Thirdly, the respondents were assured that the study was purely for academic purposes and that the researcher was very willing to share with any interested participant the findings of the study. Fourth, the respondents were enlightened on the importance of the study to the county government if and when the recommendations therein were to be implemented.

SUGGESTIONS FOR FURTHER STUDIES

It is advisable for studies in respect to effective debt management to be conducted in other areas besides the county government. These could include the national government ministries, state corporations, and also in the private sector. It is recommendable for studies on other factors that affect effective debt management besides the ones captured in the present study. Moreover, scholars are advised to embark on studies on how debt structure, accountability, transparency, institutional framework and debt risk management framework impact on other facets of county governments such as financial management and financial sustainability.

REFERENCES

Balino, T., & Sundararajan, V. (2008).Public debt management in developing countries: Key Policy, Institutional, and Operational issues.Centennial group holdings, Washington DC, USA.

Bennet, E., Kenneth, A.B., Obenewaa, A.L., Charles, R.O., & Nusenu, A. (2012). Risk management and its impact on profitability in microfinance institutions.Social Science Research Network.

Blommestein, H.J., & Turner, P. (2012). Interactions between sovereign debt management and monetary policy under fiscal dominance and financial instability. Paper presented at the ECB's Public Finance Workshop on "Challenges for Sovereign Debt Management", held on 7 October 2011 in Frankfurt.

Borenzstein, E., & Mauro, P. (2004). The case for GDP-indexed bonds. Economic Policy, 19(38), 165–216.

Buluma, F.C., & Obande, M.N. (2015). Justification for a devolved system of government: Corporate governance and financial management issues in Kenya.European Journal of Business and Management, 7(31), 98-107.

Draškovic, M., & Stjepcevic, J. (2012). Institutional framework of corporate governance with reference to the former Yugoslav transition economies.Montenegrin Journal of economics, 8(4), 27-41.

Ekpo, A.H. (2008).Decentralization and service delivery: A framework. University of Uyo, Uyo, Nigeria.

Faraglia, E., Marcet, A., & Scott, A. (2008). Fiscal insurance and debt management in OECD Economies. The Economic Journal, 118(527), 363–86.

Fiedler, F. E. (1964). A theory of leadership effectiveness. In L. Berkowitz (Ed.), Advances in experimental social psychology. New York: Academic Press.

Freeman, R. E. (1984). Strategic Management: A Stakeholder Approach. Boston: Pitman.

Freeman, R. E., Harrison, J. S., Wicks, A. C, Parmar, B., & de Colle, S. (2010). Stakeholder Theory: The State of the Art. Cambridge: Cambridge UniversityPress.

Freund, R.J., & Littell. R.C.(2000). SAS System for Regression (3rd Ed.). Cary, NC:SAS Institute.

Licensed under Creative Common

Gonzalez, N.U. (2015).Banking regulation, institutional framework and capital structure: International evidence from industry data. University of Salerno, Italy.

Ijah, A. (2013). An empirical analysis of the impact of debt on the Nigerian economy. An International Journal of Arts and Humanities, 2(3), 165-191.

Islam, K.M.A., Islam, M., & Zaman, M. (2013). An empirical study on risk management in some selected conventional and Islamic banks in Bangladesh: A comparative study. Journal of Social Sciences, 6(2), 105-124.

Kimberlin, C.L., & Winterstein, A.G. (2008).Research fundamentals. Am J Health-SystPharm, 65.

Kothari, C.R. (2004). Research Methodology: Methods and Techniques, (2ndEd.). New Dehli: New Age International Publishers Ltd.

Lai, F.W., & Samad, F.A. (2011).Enterprise risk management framework and the empirical determinants of its implementation. University of Malaya. Kuala Lumpur, Malaysia.

Larbi, G., Wangusi, C., & Cole, W. (2015).Wealth and well-being: Shaping Kenya's road to prosperity. Spending the People's Money Well: Reforming Public Financial Management. The World Bank Group.

Lemma, T.T. (2012). Capital and debt maturity structures of a firm: Evidence from selected African Countries.PhD Thesis, University of the Witwatersrand, Johannesburg, South Africa.

Margaritis, D., & Psillaki, M. (2010). Capital structure, equity ownership and firm performance. Journal of Banking & Finance 34, 621- 632.

Melecky, M. (2007).A cross-country analysis of public debt management strategies. World Bank Policy Research Working Paper 4287, Washington DC.

Muema, A.N. (2015). Effect of equity bank's financial management training programme on small-scale farmers' uptake of credit in Makueni County.MBA project, South Eastern Kenya University, Kenya.

Mugenda, O.M., & Mugenda, B.G. (2009).Research Methods-Quantitative and Qualitative Approaches. Nairobi: Acts Press Publishers.

Muthui, J.N., Kosimbei, G., Maingi, J., & Thuku, G.K. (2013). The impact of public expenditure components on economic growth in Kenya, 1964-2011. International Journal of Business and Social Science, 4(4), 223-253.

Nairobi City County (2016). Medium Term Debt Management Strategy. Nairobi: Nairobi City County.

Nassiuma, K. (2008). Survey sampling: Theory and methods. Nairobi, Kenya: Nairobi University Press.

Njoroge, W. (2003).The impact of internal control systems on performance of public Institutions in Kenya Unpublished MBA Project, University Of Nairobi.

Njui, R.W. (2012). The effectiveness of internal audit in promoting good governance in the public sector in Kenya. Unpublished MBA thesis, University of Nairobi.

Nulty, D.D. (2008). The adequacy of response rates to online and paper surveys: What can we do? Assessment & Evaluation in Higher Education, 33(3), 301-314.

Phillips, R. A. (2003). Stakeholder Theory and Organizational Ethics. San Francisco: Berrett-Koehler Publishers.

Randa, J. (2015). Rebalancing Kenya's growth. Wealth and well-being: Shaping Kenya's road to prosperity. The World Bank Group.

Republic of Kenya (2016). Overleveraged? County Government Borrowing in Kenya. Retrieved on 24th June, 2016 from: https://emergingequity.org/2016/02/09/overleveraged-county-government-borrowing-in-kenya/

Republic of Kenya. (2002). National development plan. Nairobi: Government Printers.

Roos, M. (2009)Performance management within the parameters of the PFMA. Master of commerce thesis. University of South Africa, South Africa.

Licensed under Creative Common

Togo, E. (2007). Coordinating public debt management with fiscal and monetary policies: An analytical framework. Manuscript, banking and debt management department.Washington, D.C: World Bank.

Turner, P. (2011). Fiscal dominance and the long-term interest rate. Financial Markets Group, London School of Economics, Special Paper 199.

Wagacha, M., & Ngugi, R. (2009). Macroeconomic structure and outlook. In Peter Kimuyu, Mbui Wagacha and Okwach Abagi, eds., Kenya's Strategic Policies for the 21st Century. Nairobi: Institute of Policy Analysis and Research.

Weill, L. (2008). Leverage and Corporate Performance: Does institutional environment matter? Small Business Economics 30, 251-265.

Wheeler, G. (2004). Sound practice in government debt management. Washington, D.C.: World Bank.

Woods, M. (2007). A Contingency Theory Perspective on the Risk Management Control System within Birmingham City Council. Nottingham: Nottingham University Press.

Zou, P.X.W., Wang, S., & Fang, D. (2008). A life-cycle risk management framework for PPP infrastructure projects. Tsinghua University, Beijing, China.

Licensed under Creative Common