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ASSESSMENT OF BUDGETING PROCESS ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF NAKURU, KENYA

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Abstract

The budget is increasingly recognized as the key tool for economic management. It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets. This suggests that the rules by which the budget is formulated and implemented are important and that they influence financial outcomes. This study assessed the influence of budgeting process on financial performance in the county government of Nakuru. The effect of financial capacity on financial performance was examined. The study employed a descriptive survey research design targeting the staff in the county government. A sample of 80 staff members were selected to be the respondents in the study. The researcher employed a structured questionnaire to collect primary data. Data was analyzed in form of both descriptive and inferential statistics. Data was analyzed using Statistical Package for Social Sciences (SPSS) version 24. The findings were presented in form of tables and discussions thereof. The study established that financial capacity had a strong positive significant relationship with the financial performance. It was recommended that the county government should enhance its financial capacity in the budget process in order to improve its financial performance.

Keywords: Financial capacity, Budget, Budget process, Performance, Financial performance

INTRODUCTION

Financial performance describes a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. It is also a general measure of firms overall financial health over a given period of time and thus can be used to compare firms across the same industries or sectors in aggregation. The importance of financial stability according to Anderson (2011) ranges from enabling an organization to have sufficient resource for quality service delivery, maximizing the potential of service delivery , enhancing the ability to pay staff, vendors and creditors on time and maintenance of good credit risk .

This makes financial performance an important area of concern that has attracted the attention of researchers, organizational managers, government and the public at large. The budget is increasingly recognized as the key tool for economic management (Kiringai, 2002). It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets. This suggests that the rules of the game by which the budget is formulated and implemented are equally important and that they do influence outcomes (Schick, 1999).

According to Bartle (2008) budgets today provide a focus for the organization, aid in the coordination of activities and facilitates control. Through budgeting, at both management level and operation level looks at the future and lays down what has to be achieved. Budgetary controls checks whether the plans are being realized and put into effect corrective measures, where deviation or short-fall is occurring (Bartle, 2001). Bartle emphasized that without effective controls, an enterprise was at the mercy of internal and external forces which can disrupt its efficiency, and be unaware; such enterprise will not be able to combat such forces.

When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or to even provide a basis for policy revision. Business budgeting is a basic and essential process that allows businesses to attain many goals in one course of action. There are several goals that many businesses seek to achieve when they create and implement a budget. These goals include control and evaluation, planning, communication, and motivation (Lucey, 2004).

According to Kariuki(2010), budgeting is a process of planning the financial operations of a business. Budgeting as a management tool helps to organize and formulize management's planning of activities. Budgeting as a financial tool is useful for both evaluation and control of organizations for the planning of future activities. Application of these tools can greatly impact the financial performance of an institution (Larson, 1999).Without losing its control and

accountability mechanisms, modern budgeting can better support performance management by integrating known financial outcomes with frequent re-forecasting of the budget and linked to analysis of performance trends.

A manufacturing firm' financial performance management reporting systems will draw on a number of information sources and reflect the range of stakeholder and departmental perspectives (MelekEker, 2007).While financial performance is an important tool in measuring an organizations overall performance, it is evident that studies covered have not been exhaustive enough in addressing the factors affecting financial performance. One of the factors given little emphasis on the extent to which it affects financial performance is budgetary process which forms the main focus for this study.

Budgeting Process

A budget is a very important tool for management in all organizations. It serves as a tool for planning and controlling the use of scarce financial resources with the aim of achieving organizational goals (Schick, 1999). Budgets often establish performance goals for the unit in terms of costs, revenues, and/or production (Little et al., 2002). Other benefits of budget include providing managers with realistic performance targets, coordinate the various segments hence achieving goal congruence, serves as a communication tool for managers to exchange ideas and it is a motivator to all staff (Helmkamp et al., 1983).

Horngren et al., (2005)asserted that a budget is a quantitative expression of a proposed plan of action by management for a future time period and is an aid to the coordination and implementation of the plan. He further indicates that budgets can cover both financial and non-financial aspects of these plans and acts as blue print for the company in the forthcoming period (Horngren et al., 2005). Even though the focus is so much on for profit organizations, the same principle applies to county governments in Kenya where budgets serve the same purpose of providing future direction of the organization.

The budgeting process is an integral part of both planning and control. Key (1940) noted that too often budgets are associated with negative, penny-pinching control activities whereas the full process is much broader and more positive than that. Budgeting is about making plans for the future, implementing those plans and monitoring activities to see whether they conform to the plan (Thomas, 2000). To do this successfully requires top management support, cooperative middle managers and well organized reporting systems (Lucey, 2002).

A good budgeting process incorporates a long-term perspective, establishes linkages to organizational goals, focuses budget decision on results and outcomes and promotes effective communication with stakeholders. Budgeting is strategic in nature and not a matter of balancing

revenues and expenditure every year. The annual budget is often subdivided by months or quarters. The budgeted amounts for a year are frequently revised as the year unfolds. For example, at the end of the first quarter, the budgets of the next three quarters are changed in light of new information (Muleri, 2001). However, according to Mawathe (2008), budget execution is difficult to control when budget is continually being revised.

Financial Performance

It is also a general measure of a firms overall financial health over a given period of time and thus can be used to compare firms across the same industries or sectors in aggregation. The importance of financial stability according to Anderson (2011) ranges from enabling an organization to have sufficient resource for quality service delivery, maximizing the potential of service delivery, enhancing the ability to pay staff, vendors and creditors on time and maintenance of good credit risk . This makes financial performance an important area of concern that has attracted the attention of researchers, organizational managers, government and the public at large.

Fiscal measures embodied in financial planning enable government by means of its aggregate expenditures and taxation to influence and shape incomes, production and employment in desired directions (Rahaman, 2010). The financial plan can in deed have far reaching economic and development implications and so has come to be used as a tool for economic planning, regulating aggregate expenditure and taxation levels, volume of production, income levels, and consequently savings and investment levels and employment. Governments can, and often do use a well coordinated revenue, expenditure and debt programs to influence not only the national economy but also to stimulate development (Rubin, 2000).

Financial planning helps to anticipate problems and information needs; helps to identify solutions without trial-and-error learning; manage resource supply and demand; identify when to focus effort and attention in different areas, facilitating the identification of appropriate sequences; helps to make people's expectations for the timing of activities more concrete (Willoughby & Julia, 2001). Planning helps to turn broad goals into action steps and helps to create timetables for how long tasks should take, to transfer founder's vision to those acting on it, to avoid side-tracking of efforts and helps to correct deviation from objectives (Kenneth, 2010).

County Governments in Kenya

The Constitution of Kenya was formally promulgated into law on 27th August 2010. The new constitution introduced major changes in the country's governance framework. A key departure

from the earlier system of governance is the shift from a highly centralized to a decentralized governance framework, comprising of two levels of government — the national government and 47 county governments. Previously, the Executive, through the President and the Cabinet, exercised significant political, administrative and fiscal power control over both the national and sub-national governments. This is greatly changed with the establishment of the county governments.

Decentralization, as envisaged in the Constitution of Kenya entails sharing of political ,administrative and fiscal responsibilities between the national and the county governments. Political decentralization involved the transfer of political authority to the local level through the establishment of county governments as well as electoral and political party reforms. Administrative decentralization has led to full or partial transfer of functional responsibilities to the county governments. Functions that have been transferred to the county governments include health care services, garbage collection, among others. Fiscal decentralization involves transfer of financial authority to the county governments by reducing the conditions on the intergovernmental fiscal transfer of resources and granting the county government's greater authority to generate their own revenue.

Statement of the Problem

In Kenya, as the implementation of devolution goes on, debate rages on whether funding from National Exchequer is adequate or not. He also argues that there must be an effective Public Finance Management (PFM) system at the county level to ensure successful management of the public sector and the economy. World Bank recommends that guidelines and templates need to be developed to guide the formulation of county budgets. More so the World Bank advocate for a country-wide chart of accounts for preparing, executing and reporting the budget. In addition to this, the counties would be expected to develop adequate PFM systems, Human resource and service delivery capacity. World Bank acknowledges that public participation will only be meaningful if choices made are translated into spending hence the need to strengthen planning and the budget process. On the contrary, this is not being fully implemented as reflected in the 2013/14 national budget preparation process where only a few people from selected counties were consulted, which is far below the stipulations in the PFM.With the introduction of devolved government structures, major functions were moved from the central government to county government. Each county was supposed to prepare its own financial budget and subject to public scrutiny. However a number of counties have not been able to professionally do that. The study will hence be geared towards finding out if proper planning is being incorporated in the county budget preparation process. Government prepares budget in

form of public policy to serve as a driving force through which mission could be achieved. As good as our budget is, the performance of which can be measured in terms of accomplishment is nothing to right home about. Budget accomplishment is far from reality and the disparity between budget and accomplishment are so wide and kept on abating as years pass by. The study sought to examine the degree of relationship that exists between the budget making process and the financial performance of the county government of Nakuru, Kenya.

Objective of the Study

The study's broad objective was an assessment of the influence of budgeting process on the financial performance of the county government of Nakuru. The study's specific objective was: To examine the effect of financial capacity in the budget process on the financial performance in the county government of Nakuru.

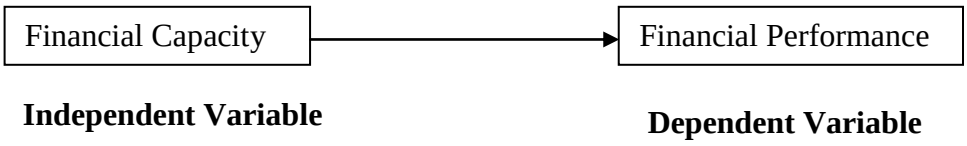
Hypothesis of the Study

H_{01}: Financial capacity in the budget process has no significant effect on financial performance in the county government of Nakuru.

Conceptual Framework

The study's conceptual framework comprised of both the independent and the dependent variable. The independent variable was financial capacity while the dependent variable was the financial performance. Financial capacity was shown to influence the financial performance on the conceptual framework. The figure below is a demonstration of the conceptual framework.

Figure 1: conceptual framework



LITERATURE REVIEW

Theoretical Review

The study was founded on the budget theory. The budget theory by Henry (1975) explains the social motivation behind government budgeting. "Budget" and "Budgeting" are concepts traceable to the bible days, precisely the days of Joseph in Egypt. It was reported that nothing was given out of the treasure without a written order. History has it that Joseph budgeted and

stored grains which lasted the Egyptians throughout the seven years of famine. Budgets were first introduced in the 1920s as a tool to manage costs and cashflows in large industrial organizations (Bartle, 2001). The emergence of scientific management philosophy however laid emphasis on detailed information as a basis for taking decisions thus leading to tremendous development of management accounting and budgeting techniques(Bartle, 2008). At early stage of development, budgeting was concerned with preparing and presenting credible information to legitimize accountability and to permit correct performance evaluation and consequently, rewards (Hindereth, 2002), However, over the years, the function and focus of budgeting has shifted considerably as business organization became more complex and their environment become dynamic.

According to Bartle (2008) indicates that budgets today provide a focus for the organization, aid in the coordination of activities and facilitates control. Through budgeting, at both management level and operation level looks at the future and lays down what has to be achieved. Control, checks whether the plans are being realized, and put into effect corrective measures, where deviation or short-fall is occurring (Bartle, 2001). Bartle emphasized that without effective controls, an enterprise was at the mercy of internal and external forces which can disrupt its efficiency, and be unaware; such enterprise will not be able to combat such forces. When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or to even provide a basis for policy revision.

The theoretical framework gave a rationale for development of budget concept, and highlight the development of the budget concept from a tool of directing actions within an organization to a more complex managerial tool that managers would use to provide focus for organizations, set objectives and undertake performance evaluations. This framework provides a basic perspective through which the researcher viewed budgetary controls as tool for influencing organizations financial performance.

Empirical Review

The budget is increasingly recognized as the key tool for economic management (Kiringai, 2002). It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets. A study by public oversight authority recommended a critical assessment on role of budgetary controls in Kenya's public organizations. According to Surajkumar (2011) a budget is based on estimates, it may or may

not be true. It is not substitute of management because, the efficiency and utility of the budgetary system depends on the skill and experience of the management. It cannot be executed automatically because continuous efforts are necessary for the execution of the budget. This makes organizational managers to focus more on management issues than on budgetary control.

According to Kirira N (2002) the government budgetary process is a deliberate and systematic attempt to allocate public resources to various ministries and departments in order to finance activities and programs within their specific mandates. The Principal Law on public finance specifies procedures for realizing money from consolidated fund for accounts of operating ministries. The minister of finance has an obligation under the constitution to provide parliament with drafts estimates of revenues and expenditure for approval before start of financial year. This study provides a conceptual of the budgeting process including expenditure estimates, revenue estimates, monitoring and evaluation and financial performance.

Financial Capacity in the Budgeting Process

According to Kavulya (2006), Budgeting involves the process of identifying, costing and allocating revenue to the resources and activities that allow the objectives of the organization to be achieved. Essential preliminaries established before effective budgeting include: preparation of an organizational chart which shows the functional responsibilities of each member of the management team; establishment of budget centers; establishment of adequate accounting record to facilitate the recording and analysis of transactions in the organization; establishment of budget committees; budget timetable to enable timely flow of information; and the budget manual which shows budgetary procedures including budget centers and timetables (Balunywa 2005). Over the course of the fiscal year that is being reviewed, reforecast and reallocated, the aim is to make the best use of the available financial resources (Seer, 2000).

According to Locke (1981) argues that an individual's goal can be viewed as the performance level that an individual seeks to attain. If an individual becomes committed to a given goal, it will influence the individual's subsequent actions, and consequently the individual's performance level.Goal-setting can be very instrumental for performance and productivity. In order to create an organizational culture that focuses on high performance as well as ethical standards as one that promotes better planning and controlling mechanisms, then there must be a conscious effort to make the objectives and goals clear to everyone. Creating and maintaining an efficient organizational culture requires hard work, continuous learning, and proper communication mechanisms (Williams & Mujtaba, 2010).

Specific and attainable goals lead to higher levels of performance if the goals are accepted by individuals. Goals provide motivational effect through their impact on the direction, amplitude (effort) and duration (persistence) of action. Individual's goal can be viewed as the performance level that an individual seeks to attain (Locke, 1981). It is argued that the act of participation in the budgeting process serves as a function by inducing subordinates to accept and commit to their budget goals (Maurer & Lippstreu, 2008).

Lin & Chang (2005) argued that highly committed subordinates in terms of their budget goals, are motivated to interact with their superiors and peers who can provide insight into their work environments, performance goals, task strategies and other issues that have an important impact on their performance". Researchers have found different results concerning the effects of goal commitment on the performance of the subordinates. Most studies have found a clearly positive relationship between goal commitment and performance. Some have found a negative relationship while other studies have not found any relationship at all. Mostly, a positive relationship has been found.

Financial Performance in County Governments

Financial performance describes a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. It is also a general measure of a firms overall financial health over a given period of time and thus can be used to compare firms across the same industries or sectors in aggregation. The importance of financial stability according to Anderson (2011) ranges from enabling an organization to have sufficient resource for quality service delivery, maximizing the potential of service delivery, enhancing the ability to pay staff, vendors and creditors on time and maintenance of good credit risk . This makes financial performance an important area of concern that has attracted the attention of researchers, organizational managers, government and the public at large.

A well designed and implemented financial management is expected to contribute positively to the creation of a firms' value (Padachi, 2006). Dilemma in financial management is to achieve desired trade- off between liquidity, solvency and profitability (Lazaridis, 2006).The subject of financial performance has received significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since financial performance has implications to organizations' health and ultimately its survival. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the country's economy at large (Naser & Mokhtar, 2004).

Additionally, Nyageng'o (2014) carried out a study to identify determinants to effective budget implementation among local authorities in Kenya. The results of the study revealed that effective budgetary controlled to improved performance of local authorities. Serem (2013) established that there is a weak positive effect of budgetary control on performance of Non-Governmental Organization's in Kenya measured by R square at 14.3%. Mwaura (2010) concluded that budgetary participation affects return on capital employed, return on assets to a great extent. Gacheru (2012) in her study of the effects of the budgeting process on budget variance in NGOs in Kenya found out that budget preparation, budgetary control and budget implementation significantly influence budget variance.

Bose (2012) explains that financial planning helps to determine the objectives, policies, procedures and programs to deal with the financial activities of an organization. As a result of the planning the organization is able to ensure availability of adequate capital, liquidity of the firm throughout the year minimization of cost and proper financial control. This would only be achieved if the organization would establish its objectives, estimate the capital required, determine the capital structure and formulate policies such as credit and debt policies.

On the contrary the notion of a planned strategy being translated in such a prescriptive and precise way that it will be replicated in the detail of organizational action is unrealistic. Johnson, Scholes and Whittington (2006) also argue that such plans will be translated differently by people in the organization. They however advise that guidelines and rules are required, which should not be so prescriptive and constraining as to prevent interaction, sharing, questioning and innovative behavior.

Budgeting allows a public administrator to plan, make proper choices, and decide on the mission and direction of an organization (Rosilyn, 2007). However, while plans and strategies are often stated in a number of elements, resource allocation has always remained the principal means of implementing them. Consequently, an organization's budget, which embodies its resource allocation decisions, has become the only visible manifestation of its strategic planning process (Willoughby & Julia, 2001).

Performing Financial Planning is critical to the success of any organization. It provides the business plan with rigor, by confirming that the objectives set are achievable from a financial point of view. It also helps the CEO to set financial targets for the organization, and reward staff for meeting objectives within the budget set (Rubin, 2000). An essential purpose of financial planning is to assess the financial resources that will be required to implement the programmes and activities to achieve the goals and targets of the plan, to ensure that funding is available as and when needed, and to monitor the efficient use of resources and of progress towards reaching the goals and targets (Rosilyn, 2007).

RESEARCH METHODOLOGY

The study employed a descriptive survey research design. Research design is essentially the roadmap of conducting the entire study. As Kothari (2008) asserted, descriptive survey enables to respond to the "what" question which is the case in this study. The aspect of survey was based on the fact that, the study was conducted at a specific point in time, and the respondents cut across different departments.

Sampling

The study targeted staff working in the county government of Nakuru Ministries. There are a total of 5262 employees in the county government. A sample of 80 respondents was selected using Cochran (1977) and Nassiuma (2009) formulas for estimating sample size.

Data Collection Instrument

According to Mugenda and Mugenda (2009), questionnaires are very suitable in survey research. In tandem with this assertion, a structured questionnaire was used to collect data from the respondents. The questionnaire captured data relative to respondents' background. Most importantly, it captured data regarding both the independent and dependent variables. The questionnaire sought to enable the researcher to collect data on a Likertscale.

The Data

The collected data was analyzed by both descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS) version 24. Descriptive analysis involved frequencies and percentages for demographic data of respondents. As part of descriptive analysis, means and standard deviations were employed across all variables (independent and dependent variables). On the other hand, inferential analysis was in form of Pearson's correlation. The aforementioned analysis was founded on the fact that data pertaining all variables were on a Likert scale. The study findings were presented in form of tables that reflected both descriptive and inferential statistical results.

ANALYSIS AND FINDINGS

The researcher distributed 80 questionnaires to be filled by the respondents' basing on the study's sample size. 75 questionnaires were properly filled (with no missing values) and returned. This represented a response rate of 93.7% which was characterized as very good according to Babbie (1990).

Financial capacity

The researcher was seeking the perception of the respondents in regard to various aspects relating to financial capacity in the budget process. The means and standard deviations of the responses were established to assist the researcher in making inferences. The findings from the analysis were as presented in table 1.

Table 1: Perceptions on Financial Capacity

	N	Min	Max	Mean	Std. Dev
1. There is adequate financial allocation towards budgeting process	75	1	5	3.83	1.057
2. County budget is limited to the financial allocation by the central government	75	1	5	3.73	1.223
3. Revenue collected within the county by the county government is used to supplement the budget	75	1	5	3.73	1.119
4. Budget committee teams are well remunerated in budget making process	75	1	5	3.83	1.223
5. There is sufficient allocation of finances for all the ministries in the county	75	1	5	3.52	1.349
6. Financial allocation towards budgeting have been increasing in the last three years of county existence	75	1	5	3.80	1.139
7. Investors have played a key role in supplementing the county budget allocation	75	1	5	3.63	1.412
Valid N (listwise)	**75**				

Table 1 indicates that the respondents agreed with all the aspects relating to the financial capacity of the county government during the budgeting process. All the aspects had mean values approximately equal to four (Agree). As such the researcher observed that the respondents had positive view as far as aspects relating to financial capacity were concerned. However, respondents portrayed great disparities in their responses with all the aspects registering standard deviations greater than 1. This showed that respondents had divergent views in regard to financial capacity. Thus, whereas some respondents approved aspects of financial capacity, others expressed reservations on the same.

Financial Performance in the County Government

In regard to financial performance, the researcher established respondents' views in the same. The means and standard deviations were established to draw the necessary inferences. The findings from the analysis were as presented in table 2.

Table 2: Perceptions on Financial Performance

	N	Min	Max	Mean	Std. Dev
8. The county has registered continued improvement in the amount of revenue collected	75	1	5	4.11	.967
9. There has been improved service delivery due to improved investment in infrastructure by the county government	75	1	5	4.32	.701
10. The county government have an efficient financial management capacity that enables strategic allocation of resources	75	2	5	4.25	.660
11. Improved financial performance in the county has been due to effective budgetary control mechanisms	75	2	5	3.71	1.136
12. The county government is able to meet its financial obligations in time due to the good financial performance in the county	75	1	5	3.43	1.307
13. Financial performance in the county government has been enhanced due to effective implementation of the county plans	75	2	5	3.95	.399
Valid N (listwise)	**75**				

The researcher established that the respondents were in agreement with five out of the six aspects of financial performance. They agreed that the county has registered continued improvement in the amount of revenue collected, that there has been improved service delivery due to improved investment in infrastructure by the county government and that the county government have an efficient financial management capacity that enables strategic allocation of resources. Further they agreed that improved financial performance in the county has been due to effective budgetary control mechanisms and that financial performance in the county government has been enhanced due to effective implementation of the county plans. All these aspects had mean values equivalent to 4 (Agree). However respondents were undecided on whether the county government is able to meet its financial obligations in time due to the good financial performance in the county. This aspect had mean value of 3 (undecided). Respondents demonstrated greater cohesion in their perceptions in four out of the seven aspects registering standard deviation values of less than 1. The other two aspects had standard deviation values greater than 1 indicating diverse views in relation to those aspects.

Relationship between Financial Capacity and Financial Performance

The researcher employed Pearson product moment correlation coefficient to establish the relationship between the independent variable and the dependent variable. The questionnaires elicited responses that were on a Likert scale and thus the responses could be transformed into a composite score of their means. The composite score of means of financial capacity were

correlated with the composite score of means of the financial performance. The findings from the analysis were as presented in table 3.

Table 3. Relationship between Financial Capacity and Financial Performance

		Financial Capacity
Financial Performance	Pearson Correlation	.801**
	Sig. (2-tailed)	.000
	N	75

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

From the table, the researcher established that there was a strong positive significant relationship ($r = .801$, $p < .01$) between financial capacity and the financial performance. As such financial capacity was indicated to be significant in determining the financial performance of the county government. The researcher concluded that enhancing the financial capacity goes a long way in enhancing the financial performance of the county government. As such, the null hypothesis,$\mathbf{H_{01}}$ **(**Financial capacity in the budget process has no significant effect on financial performance in the county government of Nakuru) was rejected.

Summary of Findings

Descriptive statistics showed that the respondents were in agreement with all the aspects regarding financial capacity in the county government of Nakuru. The respondents agreed that there is adequate financial allocation towards budgeting process, that county budget is limited to the financial allocation by the central government, that revenue collected within the county by the county government is used to supplement the budget, and that budget committee teams are well remunerated in budget making process. In addition they agreed that there is sufficient allocation of finances for all the ministries in the county, that financial allocation towards budgeting have been increasing in the last three years of county existence, and that investors have played a key role in supplementing the county budget allocation. However, respondents had divergent views in regard to financial capacity demonstrated by standard deviation figures that were greater than 1.

The researcher established that respondents agreed that the county has registered continued improvement in the amount of revenue collected, that there has been improved service delivery due to improved investment in infrastructure by the county government and that the county government have an efficient financial management capacity that enables strategic allocation of resources. Further they agreed that improved financial performance in the county has been due to effective budgetary control mechanisms and that financial performance in the

county government has been enhanced due to effective implementation of the county plans. However respondents were undecided on whether the county government is able to meet its financial obligations in time due to the good financial performance in the county.

Correlation analysis demonstrated that financial capacity had a strong positive significant relationship with the financial performance. As such the researcher observed that financial capacity is important in determining the financial performance in the county government of Nakuru.

CONCLUSIONS

From the summary of findings, the researcher came up with various conclusions basing on the study variables. It was concluded that financial capacity is important in determining the financial performance of the county government. This was demonstrated by the respondents who indicated positive perceptions towards aspects of financial capacity. Further correlation analysis demonstrated a strong positive significant relationship between financial capacity and the financial performance of the county government. Thus enhancing the financial capacity would consequently enhance the financial performance of the county government. The researcher recommended that the county government should enhance its financial capacity in the budget process. This is important as it well help the government to manage its financial obligations efficiently. As such, the government would manage to pay its creditors, suppliers and service providers promptly. This will additionally lead to enhanced financial performance.

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