International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. 14, Issue 10, Oct 2026

https://ijecm.co.uk/

DEBT MANAGEMENT PRACTICES AND PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA

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Abstract

The performance of county governments is critical to the realization of Kenya's devolution objectives as enshrined in the Constitution of Kenya 2010. Effective county performance ensures equitable resource distribution, enhanced service delivery, economic growth, and citizen participation in governance. However, despite the strategic importance of county performance, numerous challenges continue to undermine devolved governance. Reports by the Office of the Controller of Budget and the Auditor-General reveal that many counties struggle with low development budget absorption rates, accumulation of pending bills, and weak debt oversight therefore the study sought to assess the relationship between debt management practices and performance of county governments in Kenya. The study was guided by Cash Management Theory. The study adopted both descriptive and explanatory research designs. The target population comprised 376 county treasury officials from the 47 county governments in Kenya, grouped into six economic blocs. The study adopted Slovin's formula to sample 127 county treasury officials from 15 sampled counties. The study used primary data collected using structured Likert-scale questionnaires. A pilot study was conducted in Nyandarua and Kitui Counties, which were excluded from the main study. Quantitative data was analyzed using

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descriptive and inferential statistics. Descriptive statistics included means and standard deviations, while inferential statistics involved Pearson correlation and multiple regression analysis (including moderated regression). The study findings revealed there is statistically significant positive relationship between debt management practices and the performance of county governments in Kenya. From the findings the study concluded that prudent debt management practices are essential for improving fiscal stability, reducing pending bills, and enhancing overall county government performance in Kenya's devolved system. The study recommends that county governments develop structured debt repayment plans, strengthen debt restructuring mechanisms, and fully integrate IFIMIS to maximize the benefits of sound debt management practices. The National Treasury and relevant oversight bodies should also provide continuous capacity building on prudent debt management and IFIMIS utilization across all counties.
Keywords: Debt Management Practices, Debt repayment plans, Debt restructuring, Debt renegotiation Performance, County Governments

INTRODUCTION

Debt management practices refer to the systematic processes of planning, borrowing, servicing, restructuring, and monitoring public debt obligations in a manner that ensures fiscal sustainability, minimizes financial risks, and supports effective service delivery. These practices encompass structured repayment plans, timely servicing of obligations, prudent renegotiation of debt terms, debt restructuring initiatives, and consultation with financial experts to prevent excessive debt accumulation (Eichengreen, 2021; Bova, Kinda & Zhang, 2021). Unlike uncoordinated or reactive debt approaches that often result in unsustainable obligations, high pending bills, fiscal distress, and diversion of resources from development priorities, effective debt management emphasizes transparency, accountability, long-term sustainability, and alignment with available cash flows and revenue projections (Panizza, Sturzenegger & Zettelmeyer, 2021; Reinhart & Rogoff, 2020). This practice has gained critical importance in devolved systems, particularly in developing economies like Kenya, where prudent debt management is essential to maintain fiscal resilience, reduce financial leakages, and translate borrowed or committed resources into tangible developmental outcomes amid rising pending bills and intergovernmental fiscal dependencies.

Globally, effective debt management has been recognized as a cornerstone for enhancing fiscal stability and performance in decentralized governments. In the United States, counties with structured debt repayment frameworks and proactive restructuring mechanisms have demonstrated greater resilience to fiscal shocks, minimized service disruptions, and maintained higher project completion rates (Government Accountability Office, 2022; National

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Association of Counties, 2022). Similarly, in Australia, disciplined debt oversight combined with transparent creditor management has enabled local governments to sustain infrastructure development and service delivery despite cash flow challenges (Australian National Audit Office, 2023; New South Wales Audit Office, 2023).

In Africa, debt management practices have become increasingly essential as sub-national governments address revenue uncertainties, delayed transfers, and implementation challenges while pursuing development goals. In Nigeria, local governments that adopted prudent borrowing policies and timely debt servicing recorded better fiscal health and reduced project abandonment in key sectors such as infrastructure and healthcare (Lagos State Government, 2023; National Economic Council, 2023). In South Africa, provinces with stronger debt prioritization and restructuring strategies experienced improved budget execution and service delivery outcomes despite resource constraints (Auditor-General of South Africa, 2023; Gauteng Provincial Treasury, 2023). These regional experiences highlight the role of robust debt management in promoting fiscal discipline and sustainable public resource utilization.

In Kenya, county governments operate within a constrained fiscal environment characterized by heavy reliance on national transfers, rising pending bills, and the imperative to deliver on devolved functions under the Constitution of Kenya 2010. According to the Controller of Budget (2024) and Auditor-General (2024), many counties continue to face challenges related to debt accumulation, delayed supplier payments, and weak debt oversight, contributing to low development budget absorption (57.5%) and stalled projects. Poor debt management practices have resulted in unsustainable obligations that divert funds from critical services such as health, infrastructure, water, and agriculture, undermining the objectives of devolution.

Performance of county governments refers to the extent to which devolved units effectively utilize resources to deliver quality public services, promote development, and achieve their constitutional mandates. It reflects how efficiently counties manage their financial, human, and institutional capacities to meet citizen needs and drive socio-economic transformation (Gorostiaga & Ormazabal, 2021). In the Kenyan context, county performance is typically measured through indicators such as budget absorption rates, service delivery outcomes, project completion rates, revenue collection efficiency, and compliance with audit recommendations (Nabeshima, 2021).

STATEMENT OF THE PROBLEM

County governments in Kenya are mandated to effectively manage their financial obligations, including debt, to deliver essential public services, complete planned development projects, and advance devolution objectives in a timely and sustainable manner. However, County

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Government continue to experience various performance issues. According to the Controller of Budget (2024) and the Auditor-General (2024), many county governments continue to experience low development budget absorption rates averaging 57.5%, partly due to poor debt oversight, delayed debt servicing, and rising pending bills. This challenge is particularly evident in counties with high debt exposure, where weak repayment planning and limited restructuring efforts have constrained cash flows and project implementation. For example, Nairobi County, despite commanding the largest devolved budget, has faced persistent service delivery challenges linked to weak financial controls and debt-related inefficiencies (CoB, 2023). Similarly, counties such as Nakuru, Baringo, Bomet, Kericho, and Narok have recorded underperformance in infrastructure and healthcare due to delayed payments to contractors and suppliers arising from poor debt management (CoB, 2023). A major driver of suboptimal county performance is ineffective debt management practices. These weaknesses manifest through uncoordinated borrowing, absence of structured repayment plans, limited debt restructuring and renegotiation efforts, weak creditor management, and inadequate consultation with financial experts. Such deficiencies create fiscal stress, increase pending bills, divert resources from core services, and undermine the ability of counties to meet their constitutional mandates. This study seeks to establish the effect of debt management practices on the performance of county governments in Kenya

THEORETICAL FRAMEWORK

The study was anchored on cash management theory. The theory was developed by Keynes in 1936. The theory emphasizes the importance of liquidity management in achieving financial sustainability. It asserts that organizations must maintain optimal cash flows to meet short-term obligations and avoid financial distress. The theory enhances financial stability by promoting prudent liquidity management and efficient cash flow forecasting (Gentry & Pyhrr, 2017). It also supports structured payment policies that ensure financial commitments are met on time (Baumol, 2018). Moreover, it encourages fiscal discipline, preventing excessive debt accumulation and ensuring financial sustainability (Tobin, 2019).

The strengths of Cash Management Theory are evident in its applicability to both public and private sector financial practices (Brigham & Ehrhardt, 2017). Efficient cash flow management improves an entity's ability to meet its financial obligations, thereby enhancing institutional performance and operational continuity (Gitman et al., 2019). Van Horne and Wachowicz (2018) noted that strong liquidity management strategies enhance operational efficiency, service delivery, and overall fiscal health. Additionally, cash management practices such as expenditure forecasting, cash budgeting, and liquidity controls contribute significantly to financial sustainability and performance in public institutions.

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Critics argue that Cash Management Theory tends to focus on short-term liquidity concerns while overlooking broader financial planning and long-term investment strategies (Harris, 2015). Some scholars contend that excessive liquidity controls can lead to underutilization of resources, limiting county governments' ability to invest in strategic development initiatives (Arnold & D'Aloisio, 2018). Furthermore, cash management principles may not always be applicable in volatile financial environments where external economic factors disrupt revenue flows (Deloof, 2017).

The theory is relevant to the current study as it provides a framework for understanding how effective liquidity management supports sound financial practices and enhances county government performance. It underscores that maintaining adequate cash flow through prudent budgeting, efficient revenue collection, and controlled expenditure enables counties to sustain operations, implement projects on time, and deliver quality public services. In the Kenyan context, the theory explains that disciplined cash management systems, including timely fund disbursement, accurate cash forecasting, and adherence to payment schedules, are essential for improving fiscal discipline and institutional performance. Moreover, when integrated with IFIMIS adoption, the theory extends its application by suggesting that adherence to procurement timelines, payment procedures, and contract management standards stabilizes cash flow and strengthens financial accountability, thereby promoting effective and sustainable performance of county governments.

EMPIRICAL REVIEW

Ondiek, (2021) investigated the effect of debt management, on the financial performance of county governments in Kenya. The study adopted a descriptive research design, collecting data from 120 treasury staff in Mombasa County using census sampling and structured questionnaires. The study employed multiple regression analysis to test hypothesized relationships among variables. The study findings revealed that debt management positively and significantly influenced financial performance. However, the study was limited to a single county, constraining generalizability. The current study aims to address this gap by adopting a nationwide multi-county approach and integrating IFIMIS adoption as a moderating variable in the performance of county governments.

Ali, (2022) analysed the effect of debt financing, on the financial performance of Mandera County Government, Kenya. The study adopted a descriptive correlational design, collecting primary data from 77 finance staff using questionnaires and secondary data from audited reports (2015–2020). The study employed multiple regression analysis using SPSS to test hypothesized relationships among variables. The study findings revealed that financial

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policies (including debt) had a significant effect on revenue collection performance. However, debt was not isolated as a standalone variable, limiting specific insights. The current study aims to address this gap by disaggregating debt management practices and examining their moderated relationship with IFIMIS adoption in the performance of county governments.

Kibor, 2023) examined the effect of debt management, on the financial performance of county governments in Nakuru County, Kenya. The study adopted an explanatory survey design, collecting data from 120 treasury and finance officers using stratified sampling and self-administered questionnaires. The study employed hierarchical multiple regression analysis to test hypothesized relationships among variables. The study findings revealed that debt management practices positively influenced financial performance. However, the focus on a single county limits broader applicability. The current study aims to address this gap by utilizing a national multi-county sample and incorporating IFIMIS adoption as a moderator in the performance context of county governments.

Nakhumwa, Korir & Kiplagat, (2025) conducted a study to examine the effect of debt restructuring strategy on the financial performance of the County Government of Bungoma, Kenya. The study adopted a descriptive research design, collecting primary data from finance and treasury staff using structured questionnaires. The study employed multiple regression analysis to test hypothesized relationships among variables. The study findings revealed that debt restructuring practices positively and significantly affected financial performance. However, the study was limited to a single county, constraining generalizability. The current study aims to address this gap by encompassing all county governments in Kenya and assessing the moderating role of IFIMIS adoption in the performance context.

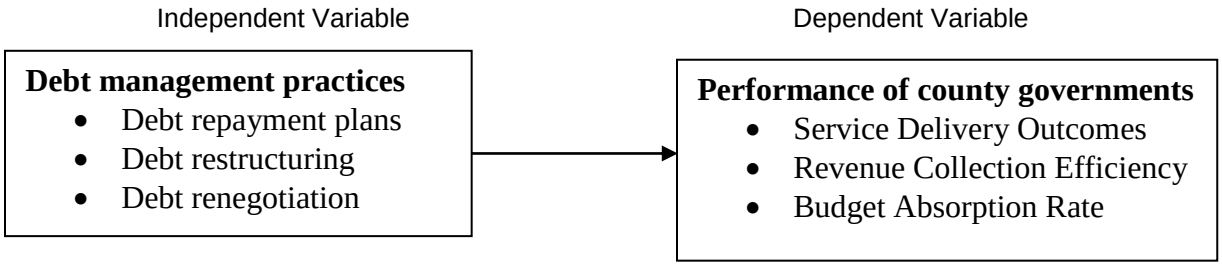


Figure 1: Conceptual Framework

METHODOLOGY

The study was based on a pragmatist research philosophy and adopted both descriptive and explanatory research design to examine the effect of debt management practices on the performance of county governments in Kenya. The target population consisted of 376 County treasury officials from the 47 county governments in Kenya, grouped into six economic blocs.

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The study adopted Slovin's formula to select 127 respondents. Stratified random sampling was further employed to ensure proportional representation from each economic bloc and adequate coverage of treasury officials involved in debt management, budgeting, and financial reporting. Primary data were collected through self-administered structured Likert-scale questionnaires. The pilot study was conducted in Nyandarua and Kitui Counties (excluded from the main study), with 11 questionnaires administered to county treasury staff to assess the reliability and validity of the research instrument. Validity was established through face, content, and construct validity assessments via expert (supervisor) review and factor analysis, while reliability was evaluated using Cronbach's Alpha, with all variables recording coefficients above 0.7, indicating adequate internal consistency. Both descriptive and inferential statistics were utilized for data analysis. Descriptive statistics, including percentages, frequencies, means, and standard deviations, were employed to summarize the characteristics of debt management practices and county government performance indicators. Inferential statistics, specifically Pearson correlation analysis and multiple regression analysis (including moderated regression for IFIMIS adoption), were applied to test the hypothesized relationships. Data analysis was conducted using the Statistical Package for Social Sciences (SPSS) Version 26, and findings were presented using tables and figures.

RESULTS

Response Rate

The study administered 127 questionnaires to the respondents, out of which 98 were duly filled and returned, resulting in a response rate of 77.2%. A questionnaire was considered duly filled if it contained sufficient and consistent responses to the study items to permit meaningful statistical analysis. Specifically, the returned questionnaires were checked for completeness of responses, missing values, response consistency, and unusual response patterns.

Questionnaires with substantial missing data, contradictory responses, or evidence of invalid response patterns were to be excluded from the analysis. Outliers were assessed during data screening using appropriate statistical techniques, and any extreme values were examined to determine whether they resulted from data entry errors or represented valid responses. Responses showing the same rating across all items were not automatically excluded because such patterns could reflect genuine respondent opinions. The 98 returned questionnaires met the criteria for inclusion in the analysis. The response rate and unreturned questionnaires are presented in Table 1.

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Table 1: Response Rate

Category	Frequency	Percentage (%)
Response returned	98	77.2
Unreturned responses	29	22.8
Total	**127**	**100%**

A response rate of 77.2% indicates that a substantial proportion of the targeted respondents participated in the study. The screening of returned questionnaires helped ensure that the data included in the analysis were sufficiently complete, consistent, and suitable for descriptive and inferential statistical analysis.

Demographic Information

The researcher sought to determine the demographic information of this study including: gender, the duration the respondents have been working in the county government and level of education of the respondents.

Duration of Service

The researcher sought to assess the duration the respondents have been in service in the county government. The findings are indicated in Table 2.

Table 2: Duration of Service

Category	Frequency	Percentage (%)
Less than 2 years	33	34
2-5 years	17	17
6-10 years	25	26
More than 10 years	23	23
Total	**98**	**100**

The findings indicated that 34% of respondents had served for less than 2 years, 17% for 2–5 years, 26% for 6–10 years, and 23% for more than 10 years. The data revealed that the largest proportion (34%) had less than 2 years of service, while over half (51%) had served for less than 5 years overall. The duration of service among respondents is a critical factor in understanding the application of financial management practices and county government performance, as it influences institutional knowledge, operational proficiency, and familiarity with devolved financial systems. A workforce with a substantial proportion of relatively recent

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entrants typically reflects dynamics such as ongoing recruitment, staff turnover, or capacity-building initiatives within county treasuries.

Descriptive Statistics

Descriptive findings for Debt Management Practices

The researcher sought to assess the level of agreement of the respondents on the effect of debt management practices on the performance of county governments in Kenya. The findings are presented in Table 3.

Table 3: Descriptive on Debt Management Practices

Statement	SA %	A %	N %	D %	SD %	Mean	Std
The county government has a structured debt repayment plan that supports stable financial performance.	23.5	51.0	13.3	12.2	0	3.8571	.9194
Debt repayment schedules are adhered to, minimizing financial distress and enhancing performance.	29.6	30.6	12.2	24.5	3.1	3.5918	1.2339
The county sets aside sufficient funds to service outstanding debts to sustain operational performance.	18.4	53.1	16.3	12.2	0	3.7755	.8913
The county government renegotiates debt terms to improve long-term financial performance.	15.3	49.0	18.4	17.3	0	3.6224	.9472
Debt restructuring initiatives have reduced the burden on county finances and improved performance.	21.4	34.7	18.4	13.3	12.2	3.3980	1.2982
New financial strategies are implemented to prevent excessive debt accumulation and enhance fiscal stability.	23.5	25.5	16.3	22.4	12.2	3.2551	1.3646
The county effectively negotiates debt repayment terms with creditors to sustain financial performance.	40.8	28.6	18.4	12.2	0	3.9796	1.0452
Renegotiation efforts have helped in reducing interest rates on county debts, strengthening performance.	30.6	38.8	18.4	12.2	0	3.8776	.9872
The county consults financial experts before making debt-related decisions to promote sound financial performance.	40.8	28.6	18.4	12.2	0	3.9796	1.0452
Overall (Mean & SD)						**3.7041**	**1.0814**

Key: SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

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The findings indicate that 23.5% of respondents strongly agreed that the county government has a structured debt repayment plan that supports stable financial performance, 51.0% agreed, 13.3% were neutral, 12.2% disagreed, and 0% strongly disagreed, with a mean of 3.8571 and a standard deviation of 0.9194. This suggests that a majority of respondents recognize the existence of structured debt repayment mechanisms as contributing to fiscal stability and improved county performance.

The findings also show that 29.6% of respondents strongly agreed that debt repayment schedules are adhered to, minimizing financial distress and enhancing performance, 30.6% agreed, 12.2% were neutral, 24.5% disagreed, and 3.1% strongly disagreed, with a mean of 3.5918 and a standard deviation of 1.2339. This implies moderate agreement on adherence to repayment schedules, although the relatively high proportion of disagreement and a notably high standard deviation suggest that some counties face challenges in maintaining consistent compliance with debt repayment obligations.

In addition, 18.4% of respondents strongly agreed that the county sets aside sufficient funds to service outstanding debts to sustain operational performance, 53.1% agreed, 16.3% were neutral, 12.2% disagreed, and 0% strongly disagreed, with a mean of 3.7755 and a standard deviation of 0.8913. This reflects a generally positive perception that adequate budgetary provisions for debt servicing help sustain county operations, supported by the relatively low standard deviation indicating greater consistency in respondents' views.

The findings further reveal that 15.3% of respondents strongly agreed that the county government renegotiates debt terms to improve long-term financial performance, 49.0% agreed, 18.4% were neutral, 17.3% disagreed, and 0% strongly disagreed, with a mean of 3.6224 and a standard deviation of 0.9472. This indicates moderate agreement that debt renegotiation contributes to alleviating fiscal pressures, though the presence of disagreement points to variation in the perceived effectiveness of renegotiation efforts across counties.

Moreover, 21.4% of respondents strongly agreed that debt restructuring initiatives have reduced the burden on county finances and improved performance, 34.7% agreed, 18.4% were neutral, 13.3% disagreed, and 12.2% strongly disagreed, with a mean of 3.3980 and a standard deviation of 1.2982. This highlights mixed perceptions regarding the effectiveness of restructuring efforts, with the high standard deviation and notable proportion of strong disagreement suggesting that the outcomes of debt restructuring are not uniformly experienced across respondents. Additionally, 23.5% of respondents strongly agreed that new financial strategies are implemented to prevent excessive debt accumulation and enhance fiscal stability, 25.5% agreed, 16.3% were neutral, 22.4% disagreed, and 12.2% strongly disagreed, with a mean of 3.2551 and a standard deviation of 1.3646. This represents one of the lower mean

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scores in this section, reflecting considerable divergence in respondents' views on the adequacy of strategies aimed at preventing excessive debt, indicating that this remains a critical area for improvement.

Further, 40.8% of respondents strongly agreed that the county effectively negotiates debt repayment terms with creditors to sustain financial performance, 28.6% agreed, 18.4% were neutral, 12.2% disagreed, and 0% strongly disagreed, with a mean of 3.9796 and a standard deviation of 1.0452. This underscores relatively strong agreement on the county's capacity to negotiate favourable repayment terms with creditors, contributing to sustained fiscal resilience and performance.

The results also indicate that 30.6% of respondents strongly agreed that renegotiation efforts have helped in reducing interest rates on county debts, thereby strengthening performance, 38.8% agreed, 18.4% were neutral, 12.2% disagreed, and 0% strongly disagreed, with a mean of 3.8776 and a standard deviation of 0.9872. This finding implies broad agreement that successful renegotiation of interest rates has contributed to reducing the overall debt burden and improving county financial performance.

Finally, 40.8% of respondents strongly agreed that the county consults financial experts before making debt-related decisions to promote sound financial performance, 28.6% agreed, 18.4% were neutral, 12.2% disagreed, and 0% strongly disagreed, with a mean of 3.9796 and a standard deviation of 1.0452. This reflects strong acknowledgment of the role of expert consultation in promoting informed and prudent debt management decision-making within county governments.

The overall mean of 3.7041 and standard deviation of 1.0814 demonstrate that respondents moderately to generally agree that debt management practices positively influence the performance of county governments. While effective creditor negotiation, expert consultation, and structured repayment plans are perceived relatively favorably, areas such as prevention of excessive debt accumulation, debt restructuring outcomes, and adherence to repayment schedules recorded lower agreement and greater variability, highlighting persistent challenges in comprehensive debt governance. These findings align with Cash Management Theory, which emphasizes prudent liquidity and obligation management as essential for ensuring financial sustainability and operational continuity. The results suggest that while notable debt management practices are in place, strengthening debt restructuring initiatives, improving adherence to repayment schedules, and developing more effective strategies to prevent excessive debt accumulation are critical for enhancing fiscal discipline and enabling county governments to sustain service delivery within Kenya's devolved governance framework.

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Performance of County Government

The researcher sought to assess the respondents' level of agreement on the statements regarding the performance of county governments in Kenya. The findings were as indicated in Table 4.

Table 4: Performance of County Government

Statement	SA %	A %	N %	D %	SD %	Mean	Std
County government programs have significantly improved access to essential services such as healthcare, water, and infrastructure	29.6	30.6	12.2	24.5	3.1	3.5918	1.2339
The quality and timeliness of services delivered by the county government meet the expectations of residents	18.4	53.1	16.3	12.2	0	3.7755	.8913
The county government has effective systems in place for collecting and managing local revenues.	15.3	49.0	18.4	17.3	0	3.6225	.9472
The county consistently meets its annual revenue collection targets from own-source income.	21.4	34.7	18.4	13.3	12.2	3.3980	1.2982
The county government effectively utilizes allocated funds within the financial year to implement planned projects	23.5	25.5	16.3	22.4	12.2	3.2551	1.3646
Delays in budget implementation rarely affect the completion of county development projects.	37.8	37.8	8.2	8.2	8.2	3.8878	1.2342
Overall (Mean & SD)						**3.5885**	**1.1616**

The findings indicate that 29.6% of respondents strongly agreed that county government programs have significantly improved access to essential services such as healthcare, water, and infrastructure, 30.6% agreed, 12.2% were neutral, 24.5% disagreed, and 3.1% strongly disagreed, with a mean of 3.5918 and a standard deviation of 1.2339. This suggests moderate agreement that devolved programs have contributed to improved access to essential services, although the relatively high proportion of disagreement and notable standard deviation indicate

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considerable variation in the perceived impact of county programs on service accessibility across different respondents.

The findings also show that 18.4% of respondents strongly agreed that the quality and timeliness of services delivered by the county government meet the expectations of residents, 53.1% agreed, 16.3% were neutral, 12.2% disagreed, and 0% strongly disagreed, with a mean of 3.7755 and a standard deviation of 0.8913. This implies broad agreement that county governments are largely meeting residents' expectations in terms of service quality and timeliness, supported by the relatively low standard deviation reflecting greater consistency in respondents' views on service delivery performance.

In addition, 15.3% of respondents strongly agreed that the county government has effective systems in place for collecting and managing local revenues, 49.0% agreed, 18.4% were neutral, 17.3% disagreed, and 0% strongly disagreed, with a mean of 3.6225 and a standard deviation of 0.9472. This reflects moderate agreement on the effectiveness of local revenue collection and management systems, though the presence of disagreement suggests that some respondents perceive weaknesses in the county's capacity to efficiently mobilize and manage own-source revenues.

The findings further reveal that 21.4% of respondents strongly agreed that the county consistently meets its annual revenue collection targets from own-source income, 34.7% agreed, 18.4% were neutral, 13.3% disagreed, and 12.2% strongly disagreed, with a mean of 3.3980 and a standard deviation of 1.2982. This indicates mixed perceptions regarding the consistency of revenue target achievement, with the high standard deviation and notable proportion of strong disagreement suggesting that meeting own-source revenue targets remains a significant challenge for many county governments.

Moreover, 23.5% of respondents strongly agreed that the county government effectively utilizes allocated funds within the financial year to implement planned projects, 25.5% agreed, 16.3% were neutral, 22.4% disagreed, and 12.2% strongly disagreed, with a mean of 3.2551 and a standard deviation of 1.3646. This represents the lowest mean score among all statements in this section, reflecting considerable divergence in respondents' views on budget utilization efficiency, with a substantial proportion expressing disagreement, indicating persistent challenges in the timely and effective use of allocated funds for project implementation.

Finally, 37.8% of respondents strongly agreed that delays in budget implementation rarely affect the completion of county development projects, 37.8% agreed, 8.2% were neutral, 8.2% disagreed, and 8.2% strongly disagreed, with a mean of 3.8878 and a standard deviation of 1.2342. This reflects the highest mean score in this section, indicating relatively strong agreement that budget implementation delays do not significantly hinder the completion of

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development projects, though the high standard deviation suggests notable variability in experiences across respondents regarding the impact of implementation delays on project outcomes.

The overall mean of 3.5885 and standard deviation of 1.1616 demonstrate that respondents moderately agree that county governments are performing adequately across the measured dimensions, though considerable variation exists in perceptions across specific performance areas. While service quality and timeliness as well as project completion timelines are viewed relatively favorably, areas such as effective fund utilization, meeting own-source revenue targets, and systems for revenue management recorded lower levels of agreement and greater variability, highlighting critical performance gaps that require urgent attention. These findings suggest that while county governments have made notable strides in service delivery, strengthening revenue mobilization systems, improving budget utilization rates, and addressing implementation bottlenecks are essential for enhancing overall county government performance and delivering on the promises of devolved governance in Kenya.

Correlation Analysis

The researcher conducted a Pearson correlation to determine the strength and direction of the relationship between debt management practices and performance of county governments in Kenya. The findings are indicated in Table 5.

Table 5: Correlation Matrix

		Debt Management
Performance	Pearson Correlation	.918**
	Sig. (2-tailed)	.000
	N	98

The results indicated that debt management practices have a strong, positive, and statistically significant relationship with the performance of county governments in Kenya ($r = 0.918$, $p = 0.000$). This suggests that structured debt repayment plans, timely servicing of obligations, debt restructuring, and expert consultation play a critical role in enhancing fiscal stability, reducing financial distress, and improving overall county performance. The findings infer that county governments that adopt prudent and proactive debt management practices are more likely to maintain sustainable financial operations, minimize pending bills, and allocate more resources toward service delivery and development projects.

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Multiple Regression

Table 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.647	.172		3.762	.000
	Debt Management	.686	.147	.830	4.656	.000
a. Dependent Variable: Performance of County Governments						

From the findings of the study, the following regression model was generated;

Performance of the County Governments in Kenya = 0.647 + 0.686DM

Where; DM represents Debt Management

The model indicates that, when the predictor variable (debt management practices) are held constant at zero, the baseline performance of county governments would be 0.647. Holding all other variables constant, a unit increase in debt management is associated with a 0.686 increase in county government performance.

CONCLUSION

The study concluded that debt management practices have a statistically significant and positive effect on the performance of county governments in Kenya. This suggests that counties that adopt prudent debt management strategies, including structured repayment plans, timely servicing of debts, debt restructuring, and professional financial advisory services, are more likely to maintain fiscal stability and enhance operational sustainability. The study further concludes that prudent debt management enables county governments to balance financial obligations with service delivery needs, thereby improving overall organizational performance.

RECOMMENDATIONS

In light of the findings, the study recommends that county governments should adopt prudent debt management strategies by developing structured debt repayment plans, adhering to debt servicing schedules, and seeking professional financial advisory services before undertaking borrowing decisions. Counties should also strengthen debt monitoring frameworks and ensure compliance with the provisions of the Public Finance Management Act to avoid unsustainable debt accumulation and financial distress.

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Further, the study recommends that county governments should enhance the adoption and utilization of IFIMIS by investing in ICT infrastructure, staff training, system integration, and continuous technical support to improve financial transparency, accountability, and operational efficiency. Counties should also strengthen cybersecurity measures and ensure that all financial management processes are fully integrated within the IFIMIS platform to reduce financial irregularities and improve real-time financial reporting and decision-making.

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