
OPERATIONAL PRACTICES INFLUENCING THE IMPLEMENTATION OF BUDGETS AMONG SELECTED COUNTY GOVERNMENTS IN KENYA

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ABSTRACT

Since the advent of devolution in 2013, Kenya has operated a two-tier government system where both national and county levels share a common public financial management architecture. However, a persistent performance gap exists: while the national government achieves an 80.76% absorption rate for development expenditure, county governments average only 34.4%. This study investigated the institutional, administrative, and managerial factors influencing budget implementation in selected county governments. The study evaluated the influence of four core operational practices finance, procurement, control, and ICT on budget implementation. Theoretically grounded in Principal-Agent Theory, Institutional Theory, and Public Choice Theory, the study employed an explanatory research design, supported by descriptive elements, within a pragmatist philosophical framework. The target population included 29,978 executive staff across six counties: Nakuru, Kericho, Narok, Baringo, Kajiado, and Uasin Gishu. Using stratified and purposive sampling, 217 high-level officials were selected, achieving a 79% response rate. Multiple Linear Regression analysis revealed that Operational Finance Practices were the only factor with statistically significant positive effect on budget implementation ($\beta = 0.119$, $p < 0.05$), while procurement, control, and ICT practices showed positive but insignificant relationships. The regression model explained 4.6% of variance in implementation outcomes. The study recommends strengthening regulatory compliance in financial operations, integrating procurement planning with budget objectives, proactive risk management, and full adoption of IFMIS and e-procurement tools. A legislative amendment to the Controller of Budget Act is proposed to mandate verifiable evidence of prior fund utilisation before new disbursements.

Keywords: *Operational Practices, Implementation, Budgets, Selected County, Governments, Kenya*

BACKGROUND OF THE STUDY

Operational practices constitute the procedural, institutional, and managerial mechanisms through which organisational strategies are translated into implementable actions (Browning, 2020; Liu & Tian, 2018; Dellanna, 2019; Olson et al., 2017). Within public administration scholarship, these practices encompass structured processes, internal control systems, coordination mechanisms, and accountability arrangements that shape how government policies are executed and how public resources are utilised (Pollitt & Bouckaert, 2017; Behn, 2014). In public financial management, operational practices determine the extent to which approved budgets are translated into actual expenditures, service delivery outputs, and broader development outcomes (Allen, Hemming & Potter, 2013; Robinson, 2018). Thus, beyond formal legislative provisions, the internal functioning of institutions ultimately shapes fiscal performance and service delivery effectiveness.

Globally, public financial management systems comprise strategies and institutional arrangements aimed at ensuring transparent, accountable, and effective use of public resources (Kristensen et al., 2019). While these systems share common objectives, there is no universal model for budget implementation. Countries adopt approaches suited to their institutional capacities, political contexts, and administrative traditions (Guess & Savage, 2021). New Zealand employs performance-based budgeting linking resource allocation to defined outcomes (WB, 2019), while the United States, Brazil, and India rely on incremental budgeting with adjustments from previous years (Duncombe, 2018). Across Africa, budget implementation is guided by legal frameworks intended to enhance fiscal discipline and transparency (Haruna & Vyas-Doorgapersad, 2016). The African Development Bank notes that strong public financial management standards underpin efficient government systems, whereas weaknesses can undermine development objectives (ADB, 2018). Empirical evidence from decentralised governance systems reinforces the importance of operational practices in budget execution. Studies in Kenya show that delays in fund disbursement, procurement inefficiencies, and weak financial controls significantly constrain budget absorption at the county level (Gichuki, 2014; Oduor, 2015). Similarly, evidence from Rwanda, Tanzania, and Uganda indicates that improvements in financial

reporting, procurement systems, and oversight mechanisms enhance budget execution, although implementation capacity remains uneven (World Bank, 2020). In Kenya, the public budget management framework is anchored in constitutional, legal, and regulatory instruments including the Public Finance Management Act (2012), Public Procurement and Asset Disposal Act (2015), and systems like the Integrated Financial Management Information System (IFMIS) introduced in 2003. Kenya's reforms have received positive recognition from international institutions including the World Bank and International Monetary Fund (IMF, 2019; WB, 2020). Since devolution in 2013, following the 2010 Constitution, Kenya operates a two-tier government comprising national and 47 county governments sharing similar financial management obligations. Despite this shared architecture, budget implementation outcomes differ significantly. Over five financial years from 2019/2020 to 2023/2024, national government achieved 90.46% absorption for recurrent expenditure and 80.76% for development expenditure, while counties achieved 84.06% for recurrent but only 34.4% for development expenditure a 56-percentage point gap (OCOB, 2022). This disparity raises fundamental questions regarding county governments' capacity to translate budgets into actual expenditures, particularly for development projects affecting service delivery.

STATEMENT OF THE PROBLEM

Despite comprehensive legal and regulatory frameworks, county governments in Kenya face persistent budget implementation challenges. While the national government achieves 80.76% absorption of development budgets, counties average only 34.4%, indicating significant operational deficiencies (OCOB, 2022). Reports from the Office of the Controller of Budget and the Office of the Auditor-General consistently highlight weaknesses in financial management, procurement processes, internal controls, and ICT integration (Mutai, 2018; Muchunu, 2015; Njahi, 2017). Violations of key provisions in the Public Finance Management Regulations, Public Procurement and Asset Disposal Regulations, and Public Audit Act signal deeper structural weaknesses that undermine fiscal discipline, transparency, and effective budget execution. However, limited research comprehensively examines how specific operational practices finance, procurement, control, and ICT collectively influence budget implementation at county level. This study

addressed this gap by evaluating the effect of operational practices on budget implementation in selected county governments, providing evidence-based insights for improving fiscal performance and service delivery within Kenya's devolved governance system.

Similar patterns have been observed across decentralized governance systems in Africa, where operational inefficiencies particularly in financial management, procurement, and internal control systems rather than deficiencies in legal frameworks, explain persistent budget execution failures (Andrews, Pritchett, & Woolcock, 2017; de Renzio, 2013; Smoke, 2015; World Bank, 2020).

OBJECTIVES OF THE STUDY

To determine the effect of operational practices on budget implementation in selected county governments in Kenya.

Specific Objectives

- i. To investigate the influence of operational finance practices on budget implementation in selected county governments.
- ii. To evaluate the impact of operational procurement practices on budget implementation in selected county governments.
- iii. To explore the relationship between operational control practices and budget implementation in selected county governments.
- iv. To examine the effect of operational ICT practices on budget implementation in selected county governments.

RESEARCH QUESTIONS

- i. How do operational finance practices influence budget implementation in selected county governments?
- ii. What is the impact of operational procurement practices on budget implementation in selected county governments?
- iii. What is the relationship between operational control practices and budget implementation in selected county governments?
- iv. What is the effect of operational ICT practices on budget implementation in selected county governments?

LITERATURE REVIEW

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

THEORETICAL REVIEW

Principal-Agent Theory, developed by Jensen and Meckling (1976), examines relationships where principals delegate authority to agents, with potential conflicts arising from information asymmetry and divergent interests. In county governments, principals (citizens and national government) delegate budget implementation to agents (county officials), creating agency problems requiring monitoring mechanisms. The theory enables assessment of accountability and performance of government officials in fulfilling their responsibilities while examining the extent to which they prioritise institutional objectives over personal interests (Pepper, 2018).

Institutional Theory emphasises how institutional environments shape organisational behaviour (Meyer, 2021). It examines how institutions comprising formal rules, norms, and established practices influence the behaviour of individuals and organisations within a given system. Within this study, Institutional Theory provides a framework for assessing the effectiveness of operational practices adopted by county governments, particularly operational control mechanisms such as internal audit systems and the integration of ICT systems including IFMIS. The theory explains how institutional structures and operational systems shape the dynamics of public budget execution at county level.

Public Choice Theory, developed by James Buchanan and Gordon Tullock, applies economic principles to political decision-making and the behaviour of public officials (Congleton et al., 2019). The theory assumes individuals including politicians and bureaucrats often act in pursuit of self-interest rather than purely in the public interest. County government officials involved in budget implementation may behave as rational, self-interested actors, potentially motivated by personal incentives including career advancement and resource control (Lee, 2012). During budget implementation, officials may allocate resources through operational finance and procurement practices in ways that favour personal or political interests, thereby undermining the effectiveness of budget execution and helping to explain persistent challenges faced by county governments.

EMPIRICAL REVIEW

Operational finance practices in public budget implementation refer to methods and procedures used to manage financial resources effectively and efficiently within government organisations (Brusca & Montesinos, 2021). Key aspects include budget planning, financial control, and expenditure monitoring to ensure alignment with budget allocations (Jain et al., 2013). Mutai (2018) examined public financial management practices in Kenyan counties, finding that internal control practices including internal audits were the most significant predictors of service delivery performance. Counties demonstrating strong ethical standards, effective risk assessment mechanisms, and robust monitoring procedures achieved higher performance levels. Strict adherence to legal and regulatory frameworks enhanced accountability and transparency. Njahi (2017) found that weaknesses in revenue collection including system leakages, outdated databases, and low compliance significantly constrained county government financial performance. Similar findings in Uganda indicate that weak cash management systems and delayed intergovernmental transfers undermine local government budget performance (Katunguka-Rwakishaya, 2012). Ngaruro (2013) established significant relationships between organisational goal alignment, resource allocation, risk management practices, and financial performance among public service organisations in Kenya.

Public procurement processes involve government entities acquiring goods and services from external suppliers through established frameworks ensuring transparency, accountability, and value for money (Khan, 2018; Jorge & Lynch, 2017). In Kenya, the Public Procurement and Asset Disposal Act (2015) and Regulations (2020) constitute the primary legal framework governing procurement procedures. Lwiga (2017) examined procurement practices in Kilifi County, finding that procurement planning, proper methods and procedures, effective contract management, and supplier performance significantly influenced project implementation. Procurement timeframes complying with statutory requirements improved project implementation rates, while supplier performance and staff capacity in procurement functions were critical factors. Muli (2017) found that adherence to procurement procedures improved project performance in CDF projects. However, Machoka (2017) identified that while counties maintained professional supplier

relationships and adhered to ethical procurement practices, political interference negatively affected procurement effectiveness, thereby undermining project performance. Mbae (2014) revealed that despite established procurement laws, processes were undermined by unethical practices and weak accountability mechanisms among procurement officers, negatively affecting service delivery. Comparable evidence from Tanzania shows that procurement delays and weak contract management significantly slow project implementation despite available budget allocations (Tidemand & Msami, 2010).

Internal control practices in public budget implementation refer to policies, procedures, and mechanisms established to ensure effective management of public funds, safeguard assets, prevent fraud, promote transparency, and ensure budgetary objectives are achieved (COSO, 2013). Njiru and Bunyasi (2016) assessed internal controls in water service providers, finding that inadequate internal control mechanisms negatively affected organisational performance, attributed to absence of key practices such as segregation of duties, inventory audits, and cost management procedures. In Rwanda, strengthened internal control systems have been associated with improved budget credibility and execution, although performance varies across subnational entities (World Bank, 2022). Origa (2015) demonstrated that manufacturing firms with well-established internal control systems recorded stronger financial performance despite human resource capacity constraints. Wakiriba et al. (2014) found that Nyandarua County had relatively effective internal control systems characterised by clear role separation and managerial supervision, though weaknesses existed in inconsistent application of internal audit functions across departments.

Information and Communication Technology has become an important enabler of efficiency, transparency, and innovation (Popkova & Ostrovskaya, 2019). ICT systems enhance transparency, efficiency, and accountability across budgeting process stages (IMF, 2018; Lechman & Marszk, 2019). While studies in financial institutions demonstrate efficiency gains from ICT adoption, public-sector evidence shows that systems such as IFMIS enhance transparency and expenditure control but remain constrained by implementation capacity and user competence (Fölscher, 2016; Andrews et al., 2017). tKariuki (2017) found that institutions with well-developed ICT systems experienced

improvements in operational efficiency, service accessibility, and financial security, though cybersecurity risks emerged as a key challenge. Proper budget implementation is critical for public services, infrastructure development, and socio-economic advancement (Karnam, 2018). Mutinda (2020) found that planning deficiencies and departmental constraints significantly affected budget implementation at the Ministry of Education, with limited human resource capacity creating persistent constraints despite generally following standard public service procedures.

CONCEPTUAL FRAMEWORK

The conceptual framework illustrates relationships between independent variables (operational finance practices, operational procurement practices, operational control practices, and operational ICT practices) and the dependent variable (budget implementation). Budget implementation is measured through absorption rate, timeliness of disbursement, and compliance with regulations. The framework demonstrates how operational practices collectively influence budget implementation outcomes, with institutional culture conceptualised as a moderating variable that influences the strength or direction of these relationships.

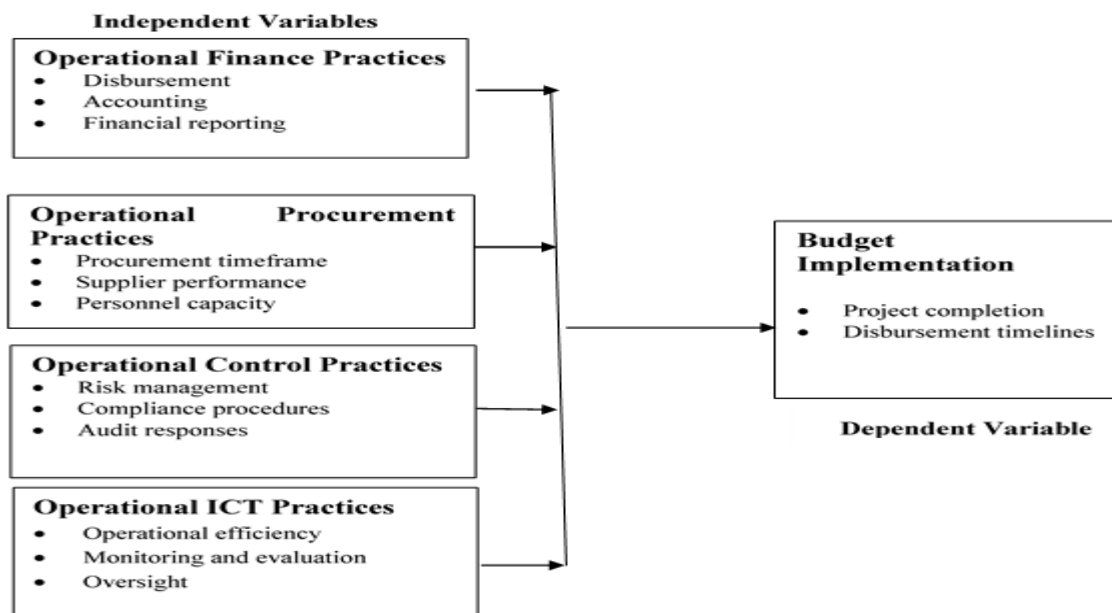


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This study employed an explanatory research design, supported by descriptive elements, within a pragmatist philosophical framework. The explanatory component was used to examine relationships between operational practices and budget implementation, while the descriptive elements provided contextual insights into the characteristics and institutional environment of the county governments under study. The pragmatist approach enabled the integration of quantitative analysis with contextual interpretation, ensuring methodological alignment with the study's objectives.

The target population comprised 29,978 executive staff across six counties: Nakuru, Kericho, Narok, Baringo, Kajiado, and Uasin Gishu. Using stratified random sampling based on Yamane's formula (Yamane, 1967), a sample of 217 respondents was selected, comprising County Executive Committee Members, Chief Officers, and County Directors. Primary data were collected using structured questionnaires with closed-ended questions. A pilot study was conducted to ensure validity and reliability, with Cronbach's alpha values exceeding 0.7 for all constructs, confirming internal consistency.

Data analysis was conducted using SPSS version 29, employing both descriptive statistics (frequencies, percentages, means, and standard deviations) and inferential statistics (correlation and multiple regression analysis). The regression model was specified as:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon,$$

where Y represents budget implementation; X₁, operational finance practices; X₂, operational procurement practices; X₃, operational control practices; X₄, operational ICT practices; and ε , the error term. The analysis of variance (ANOVA) F-test was used to assess the overall model fit. The use of multiple regression analysis is consistent with the explanatory design, enabling the assessment of relationships between operational practices and budget implementation outcomes (Creswell & Creswell, 2018).

RESEARCH FINDINGS AND DISCUSSION

The study achieved a 79% response rate with 172 completed questionnaires out of 217 distributed to county government officials across the six counties. Reliability analysis confirmed Cronbach's alpha values above 0.7 for all variables, indicating acceptable internal consistency of measurement instruments. Demographic analysis revealed 58%

male respondents, with majority aged 41-50 years and holding Certificate/Diploma or Bachelor's degrees.

Descriptive statistics analysis examined operational finance practices, procurement practices, control practices, and ICT practices. For operational finance practices, 86.4% of respondents agreed these practices influence budget implementation, with 92.4% affirming financial reporting effectively communicates financial performance, 91.8% confirming all payments are fully accounted for according to PFM standards, and 75% indicating timely payments to eligible suppliers. For operational procurement practices, 88.8% agreed these influence budget implementations, with 89.0% confirming suppliers deliver goods and services consistently according to contract terms and 88.4% indicating procurement personnel have professional skills for effective procurement processes. For operational control practices, 84.7% agreed these influence budget implementations, with 86.6% affirming adherence to regulatory procedures, 85.5% reporting consistent addressing of audit issues, and 82% indicating adherence to risk management rules. For operational ICT practices, 89.1% agreed these influence implementations, with 93.6% confirming regular utilisation of oversight findings, 87.8% acknowledging operational efficiency through ICT tools, and 86.1% reporting effective use of monitoring and evaluation mechanisms.

CORRELATION ANALYSIS

Correlation analysis examined relationships between independent and dependent variables. Results are presented in Table 1.

Table 1: Correlation Analysis

| | Budget Implementation | Finance Practices | Procurement Practices | Control Practices | ICT Practices |
|-----------------------|------------------------------|--------------------------|------------------------------|--------------------------|----------------------|
| Budget Implementation | 1.000 | | | | |
| Finance Practices | 0.162* | 1.000 | | | |
| Procurement Practices | 0.011 | 0.031 | 1.000 | | |
| Control Practices | 0.025 | 0.102 | 0.070 | 1.000 | |
| ICT Practices | 0.088 | 0.109 | 0.163* | 0.101 | 1.000 |

The correlation analysis revealed that operational finance practices showed a statistically significant positive correlation with budget implementation ($r = 0.162, p < 0.05$), indicating that improvements in financial management practices are associated with enhanced budget implementation outcomes. Operational procurement practices ($r = 0.011, p > 0.05$), operational control practices ($r = 0.025, p > 0.05$), and operational ICT practices ($r = 0.088, p > 0.05$) showed positive but statistically insignificant correlations with budget implementation, suggesting weak associations between these practices and implementation outcomes in the current context.

REGRESSION ANALYSIS

Multiple regression analysis was conducted to determine the combined effect of operational practices on budget implementation. Results are presented in Tables 2, 3, and 4.

Table 2: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | 0.214 | 0.046 | 0.023 | 0.64088 |

The R-squared value of 0.046 indicates that the four operational practices collectively explain 4.6% of variance in budget implementation outcomes. The adjusted R-squared of 0.023 accounts for the number of predictors, suggesting the model has limited explanatory power and that other unmeasured factors drive the majority of performance disparities in county government budget implementation. This suggests that budget implementation in devolved governance systems is influenced by a broader set of institutional and contextual factors beyond the operational variables captured in this study, including political dynamics, intergovernmental fiscal delays, leadership capacity, and administrative constraints.

Table 3: ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|-------|-------|
| 1 | Regression | 3.280 | 4 | 0.820 | 1.997 | 0.097 |
| | Residual | 68.570 | 167 | 0.411 | | |
| | Total | 71.850 | 171 | | | |

The ANOVA results ($F = 1.997$, $p = 0.097$) indicate that the regression model approaches but does not reach conventional statistical significance at the 0.05 level, suggesting the combined effect of the four operational practices on budget implementation is marginal in this context.

Table 4: Regression Coefficients

| Model | | B | Std. Error | Beta | t | Sig. |
|-------|-----------------------|-------|------------|-------|-------|-------|
| 1 | (Constant) | 4.788 | 0.930 | | 5.150 | 0.000 |
| | Finance Practices | 0.119 | 0.057 | 0.166 | 2.109 | 0.036 |
| | Procurement Practices | 0.010 | 0.059 | 0.014 | 0.174 | 0.862 |
| | Control Practices | 0.016 | 0.051 | 0.026 | 0.321 | 0.748 |
| | ICT Practices | 0.064 | 0.062 | 0.083 | 1.028 | 0.306 |

The regression coefficients reveal that operational finance practices had a statistically significant positive effect on budget implementation ($\beta = 0.119$, $p = 0.036$), indicating that a one-unit increase in operational finance practices is associated with approximately 0.119 units increase in budget implementation, holding other variables constant. This finding aligns with Mutai (2018) who found that internal control practices were significant predictors of county government performance, and Njahi (2017) who established that financial management practices significantly influenced county financial performance.

Conversely, operational procurement practices ($\beta = 0.010$, $p = 0.862$), operational control practices ($\beta = 0.016$, $p = 0.748$), and operational ICT practices ($\beta = 0.064$, $p = 0.306$) exhibited positive coefficients but were statistically insignificant, suggesting these mechanisms are currently underutilised or poorly integrated into the budget cycle. The regression equation is: $Y = 4.788 + 0.119X_1 + 0.010X_2 + 0.016X_3 + 0.064X_4$, where Y represents budget implementation and X_1 , X_2 , X_3 , X_4 represent finance, procurement, control, and ICT practices respectively.

This finding suggests that these operational practices are not inherently ineffective but are conditionally dependent on the institutional environment within which they operate. In contexts characterised by weak enforcement of regulations, limited technical capacity, and political interference, these systems may exist formally but have limited functional impact on budget execution outcomes.

CONCLUSION

This study concludes that while operational finance practices significantly enhance budget implementation in county governments, other operational domains namely procurement, control, and ICT practices exert limited or statistically insignificant direct influence. The findings indicate that effective financial management, particularly timely disbursement of funds, accurate accounting, and transparent financial reporting, plays a critical role in translating approved budgets into actual expenditures and development outcomes. However, the weak direct contribution of procurement, control, and ICT practices does not imply that these systems are inherently ineffective. Rather, the findings suggest that their effectiveness is context-dependent, relying on the institutional environment within which they operate. In many cases, these systems exist formally but remain weakly enforced, poorly integrated into decision-making processes, or constrained by limited administrative capacity.

The regression model's relatively low explanatory power ($R^2 = 0.046$) further indicates that budget implementation is a multi-dimensional governance process influenced by a broader set of institutional and contextual factors beyond the operational variables examined in this study. These are likely to include political dynamics, exchequer funds delays, leadership

capacity, and broader institutional constraints, as suggested by public financial management literature and theoretical perspectives. The findings therefore demonstrate that underperformance in budget implementation arises not merely from technical deficiencies, but more fundamentally from weak institutional alignment and persistent regulatory non-compliance. Violations of key provisions in the Public Finance Management (County Governments) Regulations (2015), the Public Procurement and Asset Disposal Regulations (2020), and the Public Audit Act (2015) reflect systemic weaknesses that undermine fiscal discipline, transparency, and effective budget execution. The Office of the Controller of Budget, mandated under Article 228 of the Constitution and Section 5 of the Controller of Budget Act (2016), remains strategically positioned to identify compliance gaps and strengthen accountability. However, its effectiveness is currently limited by its predominantly reactive role.

RECOMMENDATIONS

Based on the findings, county governments should strengthen internal financial management practices by ensuring strict compliance with reporting and control requirements stipulated under the Public Finance Management (County Governments) Regulations (2015) and the Public Finance Management Act (2012). Given the strong influence of operational finance practices, emphasis should be placed on timely fund disbursement, disciplined expenditure management, and transparent financial reporting.

Although procurement practices did not demonstrate a statistically significant direct effect, their effectiveness is contingent on institutional enforcement. Counties should therefore strengthen procurement oversight, enforce compliance with statutory requirements, and enhance transparency particularly in relation to direct procurement and the publication of contract awards.

Similarly, internal control systems should be reinforced through consistent enforcement of compliance procedures, timely response to audit findings, and institutionalisation of risk management frameworks. Oversight agencies should adopt a more proactive and enforcement-oriented approach to ensure that control systems function effectively in practice.

The limited impact of ICT practices suggests that technological systems alone are insufficient without adequate institutional capacity. Counties should prioritise capacity building, system integration, and effective utilisation of platforms such as IFMIS to enhance real-time monitoring and accountability.

Critically, institutional strengthening should be prioritised alongside technical reforms. County governments should promote a performance-oriented institutional culture characterised by accountability, ethical leadership, and teamwork, as these factors condition the effectiveness of operational systems.

At the national level, it is recommended that Section 5 of the Controller of Budget Act (2016) be amended to introduce a preventive control mechanism. Specifically, the Controller of Budget should only approve requisitions for withdrawal of funds from the County Revenue Fund (CRF) upon verification that previously disbursed funds were utilised in accordance with approved plans. This reform would strengthen accountability, enhance fiscal discipline, and reduce inefficiencies in budget execution.

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