PUBLIC FINANCE MANAGEMENT PRACTICES, CAPACITY DEVELOPMENT AND SERVICE DELIVERY OF COUNTY GOVERNMENTS IN NAIROBI METROPOLITAN AREA, KENYA

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A Thesis Submitted to the Board of Graduate Studies in Partial Fulfillment of the Requirement for the Conferment of the Degree of Doctor of Philosophy in Business Administration (Finance) of University of Kabianga

UNIVERSITY OF KABIANGA

OCTOBER 2024

DECLARATION AND APPROVAL

Declaration

This thesis is my original work and has not been presented for the conferment of a degree or for the award of a diploma in this or any other university:

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Approval

This thesis has been submitted for examination with our approval as the University Supervisors;

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DEDICATION

Dedicated to; my loving family, whose unwavering support and encouragement have greatly inspired me; my parents David Kirinyet, Hellen Kirinyet, Zablon Chelule and Sophia Chelule for instilling in me the value of education and perseverance; to my spouse Mr. Stephen Rono, for your support, patience and understanding during this challenging journey; and to my lovely children Abigael Chepkemoi Rono, Daniel Kiprotich Bett and Shirlyn Cherono Rono, who have been my inspiration and motivation. This work is also dedicated to my mentors and friends, whose guidance and encouragement have been invaluable. Thank you all for believing in me.

ACKNOWLEDGEMENTS

This thesis is a culmination of efforts of persons and institutions whose support is worth recognition. I would like to express my deepest gratitude to all those who have supported me throughout the completion of this thesis. First and foremost, I would like to thank the Almighty for granting me the strength, perseverance, and wisdom to undertake and complete this academic journey.

My heartfelt appreciation goes to my university supervisors, Dr. Raymond Kemboi and Dr. Gichuki King'ori, for their invaluable guidance, insightful feedback, and unwavering support throughout this research process. Their expertise and encouragement have been instrumental in shaping this thesis.

I am also profoundly grateful to the faculty members at the School of Business and Economics for their academic and moral support. Special thanks to Professor Isaac Naibei for his exceptional mentorship and encouragement. I would also like to acknowledge Dr. Williter Rop, Dr. Alfred Bett, Dr. Hellen Sang, Dr Willy Rugutt and Dr. Kirui, whose advice and support have been greatly appreciated.

I extend my sincere appreciation to the County Governments in the Nairobi Metropolitan Area for their cooperation and support in providing the necessary data for this study. Your contributions were essential for the completion of this research.

A special thank you goes to my family. To my parents, for their unending support and belief in my capabilities; to my spouse Mr. Stephen Rono, for your patience, love, and understanding; and to my children, whose smiles and hugs have been my greatest source of motivation and joy as I undertook this study.

Last but not least, I would like to express gratitude to my friends, classmates and colleagues, who have been a constant source of support and encouragement. Your faith in me has kept me going through the toughest times. Thank you all for your unwavering support and belief in me. This thesis is a testament to your encouragement and assistance.

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ABSTRACT

Financial management in county governments plays a crucial role in promoting good governance. The national government allocates county governments more than stipulated 15% of national revenue yearly yet majority of them are classified as very poor, 53.0% fall below the national poverty rate of 36.1% and 34% fall below the national hardcore poverty line. From the past studies, there are mixed findings in the literature on relationship between public finance management practices and service delivery. Furthermore, the moderating effect of capacity development on the relationship between public finance management practices and service delivery is limited necessitating the need for this study. The general objective for this study was to determine the relationship between public finance management practices, capacity development and service delivery of County Governments in Nairobi Metropolitan Area, Kenya. More specifically, the study sought to establish the relationship between budgeting practices, internal control practices, resource mobilization practices and service delivery of county governments in Nairobi Metropolitan Area. It also assessed the moderating effect of capacity development on the relationship between public finance management practices and service delivery of county governments in Nairobi Metropolitan Area, Kenya. Budget theory, agency theory, optimal tax theory, and capacity building theory served as the foundational frameworks for this research. These theories guided the formulation of conceptual framework, informed the study design and methodology, and aided in the interpretation of findings. A cross sectional correlation research design grounded in the philosophy of positivism was employed in this study. Primary data was collected using structured questionnaire. The study's target population was 163 directors from Counties in Nairobi Metropolitan Area, Kenya. Multistage sampling approach was employed to get a sample of 116 respondents. The validity of the research instrument was tested using construct, content and face validity while the reliability was assessed using Cronbach's Alpha coefficient. A pilot study was done in Muranga County. The data was analyzed using descriptive and inferential statistics. Descriptive statistics was used to describe the data while correlation, regression and moderated regression analyses were used to address the objectives of the study. The study found that budgeting practices had a significant positive relationship with service delivery, as evidenced by a correlation coefficient (r) of 0.587, a beta coefficient (β) of 0.593 ($p<0.05$). Internal controls practices also demonstrated a significant positive relationship with service delivery, with a correlation coefficient (r) of 0.607, a beta coefficient (β) of 0.776 ($p<0.05$). Resource mobilization practices were found to have a significant positive relationship with service delivery, indicated by a correlation coefficient (r) of 0.557, a beta coefficient (β) of 0.311 ($p<0.05$). Capacity development significantly moderated the relationships between budgeting practices, internal controls, resource mobilization practices, and service delivery, with R-squared changes of 0.11 ($p<0.05$), 0.143($p<0.05$), and 0.094($p<0.05$), respectively. The study concludes that effective public financial management practices, including budgeting, internal controls, and resource mobilization, are crucial for enhancing service delivery in the County Governments of the Nairobi Metropolitan Area. Capacity development plays a vital role in amplifying the positive effects of these public financial management practices on service delivery. This study therefore recommends that, to ensure service delivery, public institutions should focus on effective budgeting practices, internal control and resource mobilization practices coupled with capacity development in each of the focus areas. This study makes important contribution to knowledge as it provides additional evidence on the role of capacity development in enhancing the relationship between public financial practices and service delivery, hence advances the knowledgebase for future studies.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of variance
BP	Budgeting Practices
CD	Capacity Development
CDF	Constituency Development Fund
CIDP	County Integrated Development Plans
CO	Chief Officer
CRA	Commission on Revenue Allocation
FPBP	Financial Planning Budgeting Practices
GASB	Governmental Accounting Standards Board
IA	Internal Auditing
IAS	International Accounting Standards
ICP	Internal Control Practices
IFMIS	Integrated Financial Management Information System
MDG	Millennium Development Goals
NGO	Non-Governmental Organizations
NMA	Nairobi Metropolitan Area
OSR	Own Source Revenue
PEFA	Public Expenditure and Financial Accountability
PFGP	Public Financial Governance Practices
P**FMA**	Public Finance Management Act
PFMP	Public Financial Management Practices
PFMR	Public Finance Management Reforms
PPDA	Public Procurement and Disposal Act

PPOA	Public Procurement and Oversight Authority
RMP	Resource Mobilization Practices
ROA	Return on Assets
ROCE	Return on Capital Employed

DEFINITION OF TERMS

Budgeting practices: Langabeer and Helton (2019) define budgeting practices as the systematic processes and techniques utilized by individuals, organizations, or governments to plan, allocate, monitor, and control financial resources. These practices encompass the formulation of budgets that outline projected revenues and expenditures over a specific period. For this study, budgeting practices involved Processes and techniques utilized in; budgetary planning, budgetary control and project appraisal and were measured on a 5-point Lickert scale.

Capacity Development Practices: It refers to deliberate and systematic efforts undertaken to enhance the knowledge, skills, abilities and resources of individuals, organizations, and institutions involved in financial management and service delivery. These practices aim to strengthen the capacity of stakeholders to effectively manage financial resources and deliver services (Manning, 2015). In this study capacity development was indicated by capacity development on accounting skills, auditing abilities, and annual training of staff by the county governments and measured on a 5-point Lickert scale

Director: This is a staff who works in the county government and in the hierarchy of any department, the position is the top most permanent staff in a department of a county government. Every department has a director appointed through the public service board.

Financial Resource Mobilization: These practices entail identifying potential funding sources, organizing fundraising campaigns, seeking grants or loans, engaging in revenue-generating initiatives, and leveraging financial instruments to maximize resource acquisition (Grossman & Blum, 2017). For this study financial resource mobilization involves revenue policy and legislation, revenue administration and revenue compliance and enforcement and were measured on a 5-point Lickert scale

Internal Control Practices: According to Mwaura, (2013) internal control practices refer to processes of monitoring and evaluation that ensures that resources are obtained and utilized economically, efficiently and effectively. For this study internal control practices involves internal audit, risk assessment and control environment activities measured on a 5-point Lickert scale

Nairobi Metropolitan Area: This is a socio-spatial formations characterized by the advance of urbanization and the increasing concentration of population in urban areas or regions. This study adopted the definition given in the Legal notice number 18 of 2017. The map of Nairobi Metropolitan Area is shown in Appendix IV.

Public Finance Institutions: This refers to county governments in Kenya and their role is to provide service to the citizens from the public funds. For this study the public finance institutions studied included Nairobi, Muranga, Kiambu, Machakos and Kajiado.

Public Finance Management Practices: refers to processes adopted by government to mobilize revenue, allocate public funds and undertake public spending, account for funds and audit results (Lawson, 2015). For this study, public finance management practices included budgetary practices, internal control practices and resource mobilization practices.

Service Delivery: refers to use of power and authority in the administration of public financial resources with the objective of accomplishing responsibilities that adds value to the public (Ogeh, 2013). In the context of county governments, service delivery refers to the provision of public services and the fulfillment of citizens' needs and expectations at the local level (Cabinet Office, 2007). For this study, service delivery was indicated by project completion rate and budget absorption rate measured on a 5-point Lickert scale

CHAPTER ONE

INTRODUCTION

1.1. Overview

The chapter presents the background of the study, statement of the problem, general objective, specific objectives, research hypothesis, scope, significance and limitation of the study.

1.2. Background of the Study

Public finance management (PFM) is a critical component of governance that impacts the efficiency and effectiveness of public service delivery. Effective PFM practices ensure that public funds are utilized in a manner that promotes accountability, transparency, and improved service delivery. Globally, the importance of sound public finance management practices has been recognized as essential for sustainable development. World Bank, (2013) emphasizes that effective PFM systems are crucial for achieving macroeconomic stability, efficient allocation of resources, and accountability in public spending. Countries with robust PFM systems, such as Sweden and New Zealand, have demonstrated higher levels of public trust and better service delivery outcomes (Andrews, Pritchett, & Woolcock, 2017).

Universally, governments are expected to provide services and spur developments to its citizens. Over the years, governments across have evolved by instituting various reforms aimed at service delivery and development. Since the 1980s, public sector reforms, EU legislation, and the concepts and practices of market liberalization and business-inspired managerialism have drastically changed local service delivery throughout Europe (Steen, Teles,., & Torsteinsen, 2017). These changes have led to a switch from the old public finance management practices to the modern practices which is believed to be more effective, efficient and geared towards improving service delivery. Public finance management (PFM) encompasses a wide range of practices aimed at ensuring that public resources are used efficiently, effectively, and in a manner that is transparent and accountable. These practices include; budget practices, revenue collection and management, public expenditure management, internal control practices, cash management and debt management. In Europe, the public sector reforms have increased EU control over how member states operate and this has resulted in reforms of these states under strict fiscal consolidation guidelines (Ongaro, & Kickert, 2020).

There have been numerous case studies that have demonstrated the importance of PFM in improving service delivery (Ahmed, Begum& Smith, 2019). One such example is the case of the UK's National Health Service (NHS). In the past, the NHS was notorious for its inefficient and disorganized financial management. However, NHS has implemented reforms aimed at improving its PFM system. These reforms have included introducing a more centralized and standardized approach to financial management and improving the monitoring and evaluation of public expenditure. Because of these reforms, the NHS has been able to reduce its costs and improve its service delivery.

In the USA, changes in the public finance management practice have been witnessed with an aim of improving the services delivery to the citizens. The changes of the public finance management come in form of reforms in the way the government handle public finance. Latin American nations have been affected by these reforms, which include implementation of International Public Sector Accounting Standards (Brusca & Montesinos, 2016). For USA, a comparative review indicates that, fiscal information is now more easily accessible, budget decision-making information is more organized, there is more information available for making decisions, and that certain new structures have been put in place to improve response to the demand for services by the public (Mikesell, & Mullins, 2011).

US federal government when responding to COVID-19, adopted various ways to ensure that the public funds allocated for the response were used efficiently and effectively (The White House, 2021). These measures included establishing an oversight committee to monitor use of public funds and ensuring that all spending was reported in a timely and transparent manner. Because of this, US government was able to swiftly and efficiently respond to the pandemic and provide much needed relief to Americans.

In ASIA, there have been various changes to the public financial management practices. All these changes aim at eliminating corruption, improving government services and risk management. They include creation of organizations, creation of key success factors and key performance indicators and adoption of results-based management concepts (Clay, Bidhya & Jones, 2009).

On the other hand, Indonesia launched the Government Agency Performance Accountability System (SAKIP). Cambodia also, introduced performance management frameworks (Koike, 2013). The main components in the new public finance management focus on accountability, anti-corruption measures, effective governmental spending and revenue management. Implementation of new public reforms is the key factor to performance and this has propelled Singapore and Malaysia as compared to other Asian countries namely Bangladesh and Sri Lanka (Samaratunge, Alam, & Teicher, 2008).

Public financial management changes has been advanced and promoted by various institutions. According to Ramanie, Alam &Teicher (2008), World Bank and the African Development Bank have imposed reforms a precondition for good governance and economic development. Africa has not been left out from the public finance management reforms. South Africa has implemented Information management information system that aims to enhance prudent utilization of public finance, provision of real time financial information for decision making and it also ensures service delivery. The reform process targets financial management and especially budget quality reform (Hendriks, 2012).

In South Africa, PFM is complex and dynamic and evident that PFM practices can affect service delivery. The current situation in South Africa is characterized by numerous challenges and there are concerns about inadequate oversight and accountability of public funds. Additionally, there are issues related to transparency and also accountability in the procurement processes (Kwarteng, 2017). Furthermore, there are also problems related to the lack of coordination and collaboration between different government departments and agencies. These challenges have had a negative impact on service delivery in South Africa. Poor financial management practices have resulted in the inefficient allocation and utilization of public funds, which has hindered the delivery of quality services to citizens. Similarly, lack of coordination and collaboration between different government departments and agencies has led to inefficiencies in the delivery of services.

In Nigeria, poor PFM practices have been cited to be the main factor contributing to the poor quality of service delivery in the country. In particular, lack of transparency, coordination and collaboration between different governments departments and agencies have had a significant impact on service delivery in Nigeria. Poor financial management practices have resulted in the inefficient allocation and utilization of public funds, which has hindered the delivery of quality services to citizens. Similarly, lack of coordination and collaboration between different government departments and agencies has resulted in inefficiencies in the delivery of services (Muwonge, Williamson, Owuor & Kinuthia, 2022). Ethiopia has also implemented public management reforms that meets international standards and through this, it aids flows to the continent. This reform is believed to be the third best in Africa (Peterson, 2010). A study by Muhammed (2014) found that reforms in public financial management practices were successful. This was done in Ethiopia and Tanzania; its aim was to address weaknesses in financial controls.

In Tanzania, the government has implemented a number of reforms to improve its financial management practices. These reforms include implementation of an integrated financial management system, adoption of a new budgeting process, and the establishment of a public expenditure tracking system. Through these changes, government has enhanced implementation of its budget process enhancing delivery of service. The adoption of a new budgeting process has allowed the government to better allocate resources to services such as health, education, and infrastructure. Additionally, introduction of financial management system has enabled the government to more effectively track and manage public funds. Finally, the establishment of a public expenditure tracking system has helped to ensure government expenditure is in line with the national budget and that resources are allocated in a transparent and accountable manner (Scott & Enu-Kwesi, 2018).

1.2.1. Public finance management practices

Public financial management are a set of laws, rules, systems and practices used by governments to mobilize revenue, allocate public funds, and undertake public spending, account for funds and audit results (Lawson, 2015). Public financial management in government is an important element of governing services in any country. It refers to the process of allocating, managing, and using public resources to achieve desired public sector outcomes. It is a holistic approach to managing public funds that encompasses the entire process of budgeting, accounting, controlling, and reporting. Thus, it is a complex process that involves management of public resources in a transparent and accountable manner to accomplish the desired public sector outcomes. It is an essential component of good governance and a key factor in promoting economic growth and social development (Ahmed, Begum& Smith, 2019).

Public finance management helps in the economic management in any given country. Operations and provision of services requires adequate finance and this is obtained through taxes and to actualize this it needs proper public finance management. Strong financial management practice systems also create prudent use of government finances. In public sector, financial management ensures that collection of revenue is efficient and utilization is economical leading to better service delivery (PEFA, 2016).

At its core, public finance management practices in government are concerned with how public money is spent and how it is accounted for. This means that PFM requires a comprehensive understanding of budget and financial management processes, as well as its underlying laws, regulations, and policies. From previous studies, it is clear that an effective financial management practice may be essential for providing high-quality public services. This study explored this relationship by examining aspects of financial management practices and service delivery.

According to CIPFA (2009), the development in countries should be done by the counties. Kingi and Ibrahim (2019) conducted a study in Mombasa County to determine the effect of public finance management practices and financial performance of counties. The study established that financial planning has influence on financial performance. Karama and Muia (2019) studied financial resources and delivery of devolved services. The study focused on counties in Kenya and found financial resources to be key determinants of project implementation in counties. According to Wang'ombe & Kibati (2017), public financial management act gives specific activities to guide government sector. Article 201 of the constitution further, requires prudent use of public funds. As indicated in Public Finance Management Act, (2012), there should be clarity in fiscal reporting.

For this study the public finance management practices that were studied were, budgeting practices; budgetary planning, budgetary control and project appraisal. Internal control practices encompass internal audit, risk assessment, control environment activities. Resource mobilization practices; revenue policy and legislation, revenue administration and revenue compliance and enforcement

Budgeting practices refers to the systematic processes and techniques utilized by individuals, organizations, or governments to plan, allocate, monitor, and control financial resources (Langabeer & Helton 2019).Globally, effective budgeting practices are considered essential for efficient public service delivery. The International Monetary Fund (IMF) emphasizes the importance of budget transparency and accountability in ensuring that public funds are used effectively (Cangiano, Curristine, & Lazare, 2013).In Africa, many countries have adopted program-based budgeting to enhance the linkage between budget allocations and service delivery outcomes. Countries like Uganda and Tanzania have reported improvements in service delivery through the adoption of these budgeting practices (Mugyenyi & Ainebyona, 2017). According to Nyamita (2019), the Kenya Public Finance Management Act, 2012, mandates county governments to adopt performance-based budgeting. However, challenges such as inadequate capacity and political interference continue to affect the effectiveness of budgeting practices in promoting service delivery.

According to Mwaura (2013) internal control practices refer to processes of monitoring and evaluation that ensures that resources are obtained and utilized economically, efficiently and effectively. Effective internal controls are crucial for ensuring the integrity of financial and operational processes. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework is widely adopted globally to enhance internal control systems (COSO, 2013).In Africa, internal control systems are often weak, leading to issues such as mismanagement of public funds and corruption. Strengthening internal controls has been identified as a key area for PFM reforms in many African countries (ADB, 2018).According to Karanja (2014), County Governments in Kenya have been implementing internal control measures to enhance accountability and transparency. However, challenges such as limited resources and inadequate training continue to affect the effectiveness of these controls.

Financial resource mobilization practices encompass the strategies and activities employed by individuals, organizations, or governments to generate funds or acquire financial resources for diverse objectives. These practices entail identifying potential funding sources, organizing fundraising campaigns, seeking grants or loans, engaging in revenue-generating initiatives, and leveraging financial instruments to maximize resource acquisition (Grossman & Blum, 2017).Resource mobilization is essential for ensuring that governments have adequate funds to deliver public services. The United Nations (UN) emphasizes the importance of diversifying revenue sources and enhancing tax administration to improve resource mobilization (UN, 2015).Many countries in Africa rely heavily on external funding, which affects their ability to mobilize domestic resources. Efforts to enhance domestic resource mobilization have been prioritized to reduce dependency on external aid (Fjeldstad, 2014).In Kenya, county governments face challenges in mobilizing adequate resources due to issues such as low revenue collection and limited access to external funding. Enhancing resource mobilization practices is critical for improving service delivery at the county level (World Bank, 2019).

1.2.2. Capacity Development

Capacity development refers to the deliberate and systematic efforts undertaken to enhance skills and resources of individuals, organizations, and institutions involved in financial management. These practices aim to strengthen the capacity of stakeholders to effectively manage financial resources and deliver services efficiently (Manning, 2015). A study done in Turkey by Kitapci, Aydin, & Celik, (2012) established that organizational learning capacity has effect on the performance. The study was done in Turkey whereas the current study was done in County Governments in Nairobi Metropolitan Area Kenya to establish the relationship between the selected variables.

Ifa, Nazli, Ghazali, & Muslim, (2014) did a study on moderating influence of organizational capacity on the association between corporate governance and corporate performance. The study was done in Malaysian listed companies. The study concluded that organizational capacity elements have an effect on performance. For this current study capacity development was measured using accounting skills, auditing abilities, and annual trainings by county governments. On the other hand, Ikani, Ope, & Muhamm, (2022) established that capacity building and staff developments contributes to job performance of employees.

For the current study, capacity development was the moderating variable. As used in the study, capacity development refers to efforts and activities adopted by the county governments to build capacity for their officers to enable them acquire skills in matters finance management. These includes accounting skills, auditing abilities and annual trainings by county Governments

1.2.3 Service Delivery

Service delivery is the legitimate use of power and authority in the administration of public financial resources with the aim of successfully accomplishing responsibilities that bring added value to the public (Ogeh, 2013). Under county governments, service delivery refers to public services provision and fulfillment of citizens' needs and expectations at the local level (Cabinet Office, 2007). It involves the implementation and management of various social, development and administrative services, within a specific county jurisdiction.

Farmer (2010) did a study in United States to establish factors influencing special purpose service delivery among counties. The dependent variable was measured using formation of new Districts within the counties. The study found that special level constraints on functional and fiscal autonomy play a significant role in special district formation. Kilonzi, (2014) conducted a study on decentralization of government operations and service delivery. It was done in Kisumu County. The service delivery was measured using speed of service delivery, alignment of services to citizen's needs, involvement of citizens, and extent of devolution of services to grassroots. The study found a positive relationship between decentralization of operations and performance of county governments and recommendation was made for the county governments to adopt decentralization.

Service delivery formed the dependent variable for this study and this was indicated by the project completion rate and the budget absorption rate.

1.2.3. Financial Management Practices, Capacity Development and Service Delivery in Kenya

Kenya vision 2030 is the long-term development blue print adopted by the government that aims to create a prosperous and very competitive country globally. To ensure the attainment of the above objective, several policies and legislations have been developed to warrant efficient public finance management; this includes the public finance management (PFM) act 2012 and its regulations which guides the financial management in both levels of the governments. To support this, county governments have adopted public financial management practices.

Staff development ensures that staff has capacity to implement and manage funded projects and ensures good practices in the management of the county governments funds for better service delivery.

The Office of the Auditor General's reports have consistently indicated that, despite receiving allocations, county governments have continued to face significant challenges in meeting their revenue targets which may has affected service delivery. Over the financial years, the performance of counties in local revenue collection has fluctuated. In 2013/2014, the performance was 48.5%, increasing to 67.2% in 2014/2015, and slightly improving to 69.3% in 2015/2016. However, in 2016/2017, performance dropped to 56.4%, and it further declined to 29.9% in 2017/2018. There was a modest recovery in 2018/2019 with a performance of 42.3%, followed by an improvement to 65.2% in 2019/2020. The performance was 64.2% in 2020/2021, 59.4% in 2021/2022, and increased to 65.9% in 2022/2023 (Controller of Budget, 2014-2022). It was reported in quarter two of 2023 that some counties had not spent development budget six months after the budgets were approved and counties that had spent, none was above 50%, this may affect the service delivery in the counties.

The shortfall in revenue targets may affect the performance of the counties since county governments will realize deficit in their budgets. For this study the public finance management practices that were studied were budgeting practices, internal control practice and resource mobilization practice. The study measured service delivery as a dependent variable. The study also looked at capacity development as a moderator of financial management practice and service delivery. The study was done in Nairobi Metropolitan Area counties. Gross Value Added (GVA) for the period 2013-2020 show that Nairobi contributed 27.5% of total economy's GVA, followed by Kiambu (5.9 %). It also showed that the top five counties contribution to the economy, (Nairobi City, Kiambu, Nakuru, Mombasa and Machakos counties) grew at an average rate of 3.9%. It is worth noting that from the report, Nairobi City County growing fastest at 5.0 % (Gross County Product (GCP) Report, 2021).

1.3. Statement of the Problem

In Kenya, counties are allocated finances for developments and provision of recurrent activities with an aim of improving services to the residents. Notwithstanding the huge resources received by these counties every year, majority of them are classified as very poor, 53.0% fall below the national poverty rate of 36.1% and 34% fall below the national hardcore poverty line. In addition to this, residents continue to complain of poor service delivery as evidenced through lack of medical equipment in hospitals, lack of social amenities, high poverty rate, and lack of inclusivity and astronomical level of corruption. The Kenya County Budget Transparency Survey 2022 showed that there is low budget implementation at the county level. In addition to this, Controller of Budget noted a variance between the budgets estimates and the actual spent amount. These challenges may be associated with poorly implemented public finance management practices coupled with lack of proper capacity development thus impacting negatively on service delivery. Past studies have portrayed varying results in relation to capacity development over service delivery by different county government. This therefore created a need to establish the impact of capacity development with respect to PFM practices on service delivery by the county governments. If the issue is not addressed, counties will continue to perform below expectations which in turn lead to poor service delivery, thus resulting in stunted economic growth and development. This study therefore aimed at determining the relationship between public finance management practices, capacity development and service delivery of county Governments in Nairobi Metropolitan Area, Kenya.

1.4. Objectives of the Study

The study was guided by the general objective as well as four specific objectives.

1.4.1. General Objective of the Study

The overall objective of the study was to establish the relationship between public finance management practices, capacity development and service delivery of county Governments in Nairobi Metropolitan Area, Kenya

1.4.2. Specific Objective of the Study

The following specific objectives guided this study. It sought to:

1. Establish the relationship between budgeting practices and service delivery of County Governments in Nairobi Metropolitan Area, Kenya
2. Determine the relationship between internal controls practices and service delivery of County Governments in Nairobi Metropolitan Area, Kenya
3. Establish the relationship between resources mobilization practices and service delivery of County Governments in Nairobi Metropolitan Area, Kenya
4. Assess the moderating effect of capacity development on the relationship between public finance management practices and service delivery of County Government in Nairobi Metropolitan Area, Kenya

1.5. Research Hypotheses

The following hypotheses were tested:

Ho_1: There is no significant statistical relationship between budgeting practice and service delivery of county Governments in Nairobi Metropolitan Area, Kenya.

Ho_2: There is no significant statistical relationship between internal control practices and service delivery of county Governments in Nairobi Metropolitan Area, Kenya

Ho_3: There is no significant statistical relationship between Resource mobilization practices and service delivery of county Governments in Nairobi Metropolitan Area, Kenya

Ho_4: There is no significant statistical moderating effect of Capacity development on the relationship between public finance management practices and service delivery of county Governments in Nairobi Metropolitan Area, Kenya

1.6. Justification of the Study

Public finance management plays an important role in policy implementation geared towards economic growth. However, over 10 years post promulgation of the 2010 constitution, controller of budget reports continuously complains of non-adherence of county governments to public finance management practices.

The controller of budget report indicated that counties miss the own source revenue targets (Controller of Budget, 2014-2022). Notwithstanding the enormous financial resource received by these counties every year, majority of them are classified as very poor, 53.0% fall below the national poverty rate of 36.1% and 34% fall below the national hardcore poverty line of 8.6%. In addition to this, despite the huge allocations, residents continue to complain of poor service delivery as explained by lack of medicine in hospitals, lack of social amenities, high poverty rate and lack of inclusivity. Over the recent past, there have been public outcries due to poor devolved services rendered to them by the county government. This is not withstanding the increased number of summons by the Senate assembly to county Governors and criminal charges that have been placed against them together with other county officials over embezzlement of county funds, stifling projects. Therefore, there was need to establish if there exist a relationship between public finance management practices, capacity development and service delivery of county governments in Nairobi metropolitan area, Kenya

1.7. Significance of the Study

From this study, both levels of governments are expected to benefit. First, the study is expected to benefit the national government in crafting appropriate strategies and policies to manage public resources and enhance service delivery to the citizens. Secondly, the study is also expected to be beneficial to county government in implementing public finance management practices for service delivery. The study findings will be of significant scholarly contribution. This is so because it will inform future research in this field and future reference. In addition to the above, this study will inform county executive and legislature on public finance management practices necessary to maximize the service delivery of county governments.

This study will be significant to the citizens who are the direct consumers of the services of the county governments. Through this, the public will get information on matters public finance management practices in their respective counties. This will be done through the continuous public participation as enshrined in the constitution and through this, the citizens can get direct involvement in project identification and implementation in their respective counties which is a constitutional requirement.

The study is expected to be of significance to the scholars by enriching their research in the area of public financial management practices and service delivery. It will also provide insights on the moderating effect of capacity development within the county system on service delivery. The findings will enrich the extant literature on public financial management and shape future studies.

1.8. Scope of the Study

This study covered both the geographical scope, contextual and time scope. For the time scope, the study sought to establish the public finance management practices, capacity development and service delivery of county governments targeting projects done in the financial year 2022/2023. The independent variables comprised of; budgeting practices, internal control practices, revenue mobilization practices of county governments. The dependent variable was service delivery of county governments. Capacity development was the moderating variable.

For the geographical scope, the study was conducted in Nairobi Metropolitan Area, Kenya**.** Kenya is a country in Eastern Africa which has 47 counties and out of these, five counties lie in the Nairobi Metropolitan Area namely; Nairobi City, Kiambu, Kajiado, Machakos and Muranga counties. The country’s population currently is approximately 55 million. The study adopted a cross sectional correlational research design. NMA counties were chosen because they had the most diversified population. NMA is Kenya's principal economic and cultural center generating 60% of Kenya's GDP and home to approximately 15% of the Kenya’s population (Mundia, 2017). The selected counties also comprise a large number of county government staff. These counties were among the top counties in Own Source Revenue collection in 2021/2022 financial year. According to World Bank, (2016) the urban population in Kenya will grow considerably in the

Nairobi Metropolitan Area. Out of the counties in Nairobi Metropolitan Area, Nairobi City County alone is projected to become a city of more than 6 million by 2030.

The study's target population was the 163 directors from NMA, Kenya. The study used qualitative data which was analyzed using descriptive and inferential statistics. The independent variables comprised of; budgeting practices, internal control practices and Revenue mobilization practices. The moderating variable was measured using accounting skills, auditing abilities and annual county government's trainings. The dependent variable was measured using project completion rate and budget absorption rate.

1.9. Limitation of the Study

This study was free of limitations. However, the study applied robust methodology to mitigate on the limitations to ensure the achievement of objectives of the study was not impeded in the process. One of the limitations that were encountered was difficulty in obtaining data from county governments employees. This was because respondents felt that the information collected was highly classified and may expose them to unnecessary risks. To counter the fear, assurance was made to the respondents that the study was meant for academic purpose only and that information given will be guarded with confidentiality. Application of this approach, together with reminders that were periodically, made, expected responses was received.

1.10. Assumptions of the Study

The first assumption made was that county governments had adopted public finance management practices including budgeting practices, internal control practices, and revenue mobilization practices. The second assumption was that county governments do capacity developments and the approach of capacity development varies from one county to another. It was also assumed that the respondents will give accurate and correct information. Similarly, it was assumed that responses received can be generalized to other counties.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents theoretical review, literature review on financial management practices, capacity development and service delivery. Conceptual framework and knowledge gaps are also included.

2.2. Review of Related Literature

This section reviews the existing research and studies that have explored the intricate relationships between public financial management practices, capacity development, and service delivery within county governments. This section aims to provide a comprehensive understanding of how these variables interact and influence each other, based on empirical evidence from various contexts and methodologies. By examining the findings of previous studies, the review will highlight key themes, identify gaps in the current knowledge, and establish a foundation for the present study's hypotheses and methodological approach. This synthesis of empirical literature is crucial for situating the study within the broader academic discourse and for demonstrating the relevance and significance of the research objectives in the context of County Governments in the Nairobi Metropolitan Area, Kenya.

2.2.1. Budgeting Practices and Service delivery

Langabeer & Helton (2019) describe budgeting practices as the systematic processes and techniques used by individuals, organizations, or governments to plan, allocate, monitor, and control financial resources. These practices involve creating budgets that project revenues and expenditures over a specified period. Budgeting practices are essential for setting financial goals, prioritizing spending, determining resource allocation, and ensuring financial stability. Budgeting practices entails; Budget formulation which is the process of creating a budget, including setting financial goals, estimating revenues and expenditures, and determining resource allocation priorities; Budget monitoring and control which involves ongoing tracking, reviewing, and evaluation of budgetary performance to ensure adherence to the established budget plan. This includes monitoring actual expenditures, comparing them to budgeted amounts, identifying variances, and implementing corrective actions as needed; Budget participation and involvement which refers to the extent to which relevant stakeholders, such as managers, department heads, or employees, are engaged in the budgeting process. It examines their level of participation, influence, and input in budgetary decisions; Budget transparency and accountability which emphasizes the disclosure of budgetary information and the level of accountability associated with budget implementation. It assesses the extent to which budgetary decisions and financial transactions are transparent, accessible, and subject to scrutiny; Budget communication which focuses on the effective dissemination of budgetary information to relevant stakeholders. It examines the clarity, timeliness, and comprehensibility of communication channels used to convey budget-related information. It also involves budgetary appraisal which compares the budget estimates and the utilization and this may consider the absorption rates.

A study conducted by Cabannes (2015) investigated the impact of participatory budgeting on basic services and found that participatory budgeting significantly improved service provision and management. This improvement was attributed to community involvement, which led to enhanced oversight and close control of services. The study was carried out in 20 selected cities, providing valuable insights into the benefits of participatory budgeting. However, the findings may not be generalizable across all cities due to variations in project policies and differences in the economic status of the countries involved.

Scott & Enu-Kwesi, (2018), conducted a study to establish the role of budgeting practices in service delivery. The study was done in Ghana in 2018. The study used mixed method research design. Multi stage sampling was used to select respondents and with the help of a questionnaire, it collected both qualitative and quantitative data. From the data collected, budgeting practices was found to have a positive and significant influence on service delivery. This study failed to measure budgetary planning, control and appraisal in relation to service delivery. In addition to this, the study was done in Ghana and it may not present similar results in other countries.

Atuilik, Peregrino-Brimah, Salia, & Adafula (2019), did a study on the budgetary and budget control in the health sector. The study used qualitative data that was collected from interviewees and documents reviewed to draw conclusions. The study made conclusion that adopting budgeting practices could help address challenges of service delivery in the health service. The study was done in Ghana a different country economically compared to Kenya and focus was on the health service.

Yussuf & Abdul (2022) studied the effect of public finance management practices in Mandera County Government's on financial performance. Three theories namely; systems theory, new public management theory and allocative efficiency theory were used. Cross-sectional research survey was adopted. Data was collected from 95 officers from revenue department. The findings indicated a positive significant effect of budgeting process, resource management, financial policies and internal auditing on revenue collection. Adoption of public financial management practices was recommended. The study was done in one county and results may not be generalized to other counties.

Kingi & Ibrahim (2019) sought to determine the effect of public financial management practices on the financial performance of Mombasa County Government. The research design was descriptive and collected data from 173 officers from the department of finance and economic planning and analyzed using multiple linear regression analysis. Agency theory and stewardship theory guided the study. Financial planning was found to have a positive influence on the financial performance. From the study, it was recommended that county officers in charge of planning should ensure that the preparation of planning documents at the County is consultative and that stakeholder's priorities at planning level are put into consideration. Besides, the County leadership to put proper measures for prevention or detection of revenue leakages and revenue collection targets are attained and strategies are put in place to improve on revenue collection. In addition, citizens and the civil society organizations should take an active role in providing oversight role by monitoring county government implementation of budgets. The current study used cross sectional correlational research design with more than one county.

Cheruiyot, Namusonge & Sakwa (2018) studied how financial planning and budgeting practices influence performance of county governments in Kenya with regards to management of public resources and service delivery. The study targeted selected officers 10 best performing counties from the 2016/2017Annual Budget Implementation Report.

The study used agency theory, institutional theory, theory of optimal taxation and stewardship theory. The findings reveal that counties utilize County Integrated Development Plan (CIDP) as its planning tool and established significant relationship between variables under study as indicated by coefficient. The study recommends timely disbursement and resource allocation for improved county governments' performance. The study targeted best performing counties and this may result to biasness in the findings because of well-established financial management practices and for this reason the results may not be similar in underperforming counties, this study targeted directors across all the ministries in county governments.

Mutya & Akumu (2018) studied effects of financial management on financial performance of Tororo Municipal Council (TMC) Local Government, Uganda. The study specifically looked at the benefits of budgetary management and role of financial planning on financial performance. Data was collected from 30 finance staff of TMC. Budgetary management and financial planning was found to have a positive relationship with financial performance as indicated by coefficients. The study was done in Uganda and the findings may not be similar here in Kenya because of operation policies and GDP difference between the two countries.

Mbogo, Olando, & Macharia, (2021) investigated the effect of budgeting practices on financial performance of manufacturing small and medium enterprises in Nairobi County, Kenya. The study was guided by contingency theory. The study sampled 156 manufacturing SMEs in Nairobi city. Questionnaire was used as an instrument to collect data. Data was analyzed using structural equation modelling. The study found out that budgeting practices have an influence on financial performance of SMEs. Strategic action in budgeting practices was found to enhance the financial performance of manufacturing SMEs. While this research focuses on SMEs, it is essential to extend the examination of these practices to the context of county governments' service delivery.

Cheruiyot (2018) examined public financial management practices and performance of county governments in Kenya. The study was guided by Participative Budgeting and Agency theories. Mixed research design was used. The sampling method used for the study was purposive sampling technique. The respondents for the study were selected employees at the county treasuries. The study found a positive relationship between budgeting practice and performance of county government. The study was done in ten counties with the target population being the chief officers, the county assembly and county public service boards. However, further research utilizing alternative research designs and employing random sampling techniques is necessary to validate and confirm these results.

2.2.2. Internal Control Practices and Service delivery

Mwaura (2013), did a study on financial accountability and performance of non-governmental organizations in Kenya. For the study, internal control practices involve the processes of monitoring and evaluation, which aim to ensure the economical, efficient, and effective acquisition and utilization of resources. These practices are implemented to safeguard assets, prevent fraud and misappropriation, and promote accountability within an organization. A positive correlation was established between financial accountability and financial performance.

Rafindadi & Olanrewaju (2019) carried out a study to establish internal control system and how it affects goal attainment and sustainable management in non-governmental organizations. The study was done In Nigeria. Descriptive survey was used. The sampling method used for this study was multi stage sampling. A questionnaire was used to collect data from a total of 44 respondents. It was established that internal control system has an effect on sustainable manangement of NGOs. The study was done on NGOs and the results may not be generalised to the public sector.

A study was done by Ongunya& Abbey (2019) on the internal control and quality service delivery in a public health sector. Cross sectional research design was used and data was collected from a sample of 125 health facilities in Uganda. The instrument used to collect data was a questionnaire. It was established that internal control had a significant relationship with service delivery in the health service. This particular study was done in Uganda and it focuses on the health service only.

Similarly, Namujja (2020) conducted a study to establish the effect of internal controls and service delivery in the private health service sector. The study area was Kitovu hospital in Uganda. The study used case study and sampled 75 respondents who were purposively selected from strata. From the data collected, it was found that internal controls have an effect on service delivery in the health sector. The study was done in a health sector in Uganda.

A different study was done by Serem (2016) on internal management controls and the efficiency of service delivery. The study area was commercial banks in Kenya and it found that internal control is a very important system for service delivery in commercial banks in Kenya. Three theories were used namely Agency, Attribution and Reliability theories. Descriptive research design was used to collect data from 42 commercial banks. This study focussed only on the banking industry and failed to indicate the relationship between the specific internal controls namely internal audit, risk assessment and control environment activities.

Wangai & Mungai (2019) conducted a study on financial management practices and loan performance of Microfinance Institutions (MFIs) in Starehe Constituency, Nairobi County, Kenya. Agency theory, expectancy theory and trade-off theory of capital structure were used for the study. The study was collected from 86 MFIs and analyzed using multiple linear regression analysis. A significant relationship between internal control systems and performance was established. The above study was done in micro finance institution and there was need to carry out similar study in a county system to establish the relationship between internal controls system and service delivery of counties.

Kibor, Kibati & Kiprop (2019) conducted a study on financial management practices and the financial performance of County Government of Nakuru. For this particular study, two theories were used namely; agency theory and resource-based theory. Data was from 128 employees who served three departments. The study established significant positive relationship between financial performance and financial management practices. From this study, it is recommended strengthening of internal controls which will in turn help them manage their funds. The study was done in a single county and the results may not be generalized to other counties because of operational and governance differences.

Njiru and Bunyasi (2016) did a study to investigate the effect of internal controls on financial performance of Water Service Providers (WSPs) in Kenya. Research design used for this study was descriptive survey. The sampling design used was purposive sampling. The respondents were drawn from various sections in WSPs. The study was guided by agency, institutional and stakeholder's theories. The study found out that internal controls influence the financial performance of WSP.

According to the study by Nwaobia, Ogundajo, & Theogene (2016) on internal audit practices and public financial management in Rwanda and Nigeria, the internal audit function enhances transparency in public financial management and reporting. This research employed a desk/analytical review design and was guided by agency theory and legitimacy theory. The study recommended strict adherence to the policy framework, including guidelines for submitting reports to the auditor general. However, since this study was conducted outside Kenya, its results may not be applicable to Kenya due to differences in government operational models.

Aketch (2019) conducted a study to determine how internal control systems in public funds management affected service delivery at the Nairobi Water and Sewerage Company. This research was guided by resource-based and systems theories and employed stratified probability sampling to select 54 respondents. The analysis revealed that ineffective internal control systems negatively impact service delivery. While Aketch (2019) utilized a descriptive research design, the current study employed a cross sectional correlational research design. Moreover, Aketch's (2019) study was focused on the Nairobi Water and Sewerage Company, whereas the current study was conducted in the counties of the Nairobi Metropolitan Area.

A similar study was done by Banura (2018) to investigate relationship between control environment, risk assessment, monitoring and education service delivery in Busia Municipal Council. The study used case study research design to collect data froma sample of 148 officers in Busia council. The study found a moderate relationship between internal control environment and education service delivery. Further to this, the study established a significant relationship between risk assessment and education service delivery in Uganda. The study was done in Uganda and in an education set up. The current study was done in Kenya and in the county governments. The study by Banura (2018) adopted a case study while the current study used a crosssectional corelational research design.

Lerno (2016) conducted a study to investigate the impact of internal control practices on performance in county governments in Kenya. The research employed a descriptive design and collected data from primary sources, targeting administrators in all county governments across Kenya. The study was guided by three theories: procedural justice theory, agency theory, and attribution theory. The results indicated that while county governments in Kenya have adopted internal control practices, these practices have not fully led to performance improvements.

Rugutt (2019), sought to establish the relationship between public financial management reforms strategy and the performance. The study targeted Bomet, Kericho, Nakuru and Narok County Governments. New Public Management Theory and Agency Theory guided the study. It employed correlational research design where primary data collected from 184 treasury staff. The findings revealed that positive significant correlations between public finance management reforms and performance of the County Governments with coefficients. The study recommended governments to review the existing legal framework reforms and improve IFMIS connectivity as part of the procurement reforms to increase transparency and accountability.

2.2.3. Resource Mobilization Practices and Service delivery

Financial resource mobilization practices encompass the strategies and activities employed by individuals, organizations, or governments to generate funds or acquire financial resources for diverse objectives. These practices entail identifying potential funding sources, organizing fundraising campaigns, seeking grants or loans, engaging in revenue-generating initiatives, and leveraging financial instruments to maximize resource acquisition (Grossman & Blum, 2017). County governments develop integrated developments plans which are then translated to annual development plans. These documents may be used by county governments to mobilize resources.

A study by Manda (2016) on resource mobilization, management, and service delivery in Zambian local authorities found that revenue collection was below seventy percent of the budgeted amount over an eight-year period (2002 to 2012). The study employed a descriptive research design and multi-method sampling. Various factors were attributed to this low revenue collection, which subsequently affected service delivery.

A study was done by Serchie, Kinyua, & Mwamba (2021), on effect of leadership style on resource mobilization. The study was done in local NGOs in Ghana. The study used a questionnaire to collect data from 264 respondents who were randomly selected. The analysed data revealed that leadership styles (transformational, laissez fair and transactional) has effect on resource mobilization. The study did not indicate whether there exists a relationship between the leadership style and resource mobilization and whether the resource mobilization has a relationship with service delivery.

Another study was done in Ghana by Scott (2018) on role of budgeting practices in service delivery in Ghana's public sector revealed that revenue mobilization had a direct effect on sevice delivery. The study was done in the District assemblies of Ghana and it adopted a mixed method research design. The study used multi stage sampling to select 34 districts. The findings may not be similar in counties in kenya since it was done in a different country.

Kiambi , Walubaka, & Munene, (2022) studied how financial mobilization in county government affects service delivery. The study was done in Meru County government. Using descriptive research design, the study sampled 89 respondents who were officers in the county government of Meru. The study found a significant relationship between resource mobilization and service delivery in the county government of Meru. In as much as this study found a significant relationship between the variables studied, the results may not be generalized to other counties since it was done in one county. A similar study by Birahim and Ahmadou (2020) examined resource mobilization in Senegal. The study found a significant improvement in Senegal's GDP growth, which was attributed to enhanced revenue collection over the years.

A study was done by Musyoka, (2014) on the effect of resource mobilization on the performance of community based organizations. The study was done in Tseikuru sub county. The study used resource mobilization theory to guide the study. The research design used was descriptive research design.Data was collected using purposive sampling. The respondents for this study was 186.The study found that CBOs should focus on getting more revenue sources to enhance perfomance. This study fails to show if there exist a relationship between resource mobilization and service delivery of CBOs.

Mwangi, Gakure, Arasa & Waititu (2017) assessed the influence of financial management practices on performance contracting results of local authorities in Kenya. It was underpinned by system and goal setting theories. The correlational study was conducted on 328 respondents from 175 Local Authorities and analysis done using multiple linear regression analysis. It was revealed that financial management practices and specifically resource mobilization significantly affected the effectiveness of performance contracting. The findings may not be similar for county governments and the current study was done in county set up.

Wambui (2018) carried out a study to establish effect of financial management practices on the revenue collection by Kajiado County Government. Revenue sources, financial stewardship and revenue administration strategies in the lens of public choice theory, prospect theory and expectation theory were studied. The study established that the revenue sources, and practices have a moderate positive influence on the revenue collection.

Mutua and Wamalwa (2017) did a study on challenges and opportunities of enhancing local revenue mobilization in Nairobi City County. The study collected data from primary sources. It was revealed that local revenue is an important revenue source for the county governments and this is attributed to the county government’s expanding budgetary and service delivery needs.This study failed to indicate whether local revenue mobilization is related to service delivery in the county studied.

A study by Kinoti and Kagiri (2016) examined factors affecting revenue mobilization in county governments in Kenya, a case of Nairobi City County. The research design adopted was descriptive. The study targeted 150 staff who were working in tax and administration units and sampled 30% of the target population. Primary data was collected using a questionnaire. The study found revenue administration to significantly contribute positively to revenue mobilization in the county government.

Fjeldstad (2016) did a study in Sudan to assess how sub-national revenue system in Sudan can be improved to enhance revenue collection. The study found there is need for greater emphasis on the cost-effectiveness of revenue collection considering overall costs to the economy and taxpayers when designing the revenue system. The study also found that adoption of one-stop-shop single business permit systems has had positive effects in other sub-Saharan countries. The study was done in a different country and may not present similar findings in other countries. In addition to this, the study aimed at improving revenue system to strengthen own source revenue but the current study aimed at establishing whether resource mobilization translates to service delivery.

2.2.4. Moderating effects of Capacity development on the relationship between PFM practices and service delivery

According to Morgan (1997) capacity development refers to the growth of formal organizational relationships and abilities and specifically the changes in organizational behavior, values and skills that leads to improved abilities of groups and organizations to carry out their functions and achieve its outcomes over time. Counties are expected to provide services to its residents and the officers should always have capacity on how to perform their duties. County government needs to have capacity on how to collect and manage its resources and for this reason they should put in place controls and proper structures and systems.

Khan, Adnan, Jan, & Jamal (2020) conducted a study on the moderating role of human resource development in explicit knowledge sharing and found that human development capacity significantly moderates the efficiency of explicit knowledge sharing. The study employed a quantitative approach, utilizing a structured questionnaire for data collection. This study however, was conducted in Pakistan and the dependent variable is explicit knowledge sharing. There was then a need to find out the moderating effect of capacity development on service delivery.

Wassem, Baig, Abrar, Hashim, Zia-Ur-Rehman, Awan, Amjad, & Nawab (2019) did a study to establish the effects of capacity building, moderating effect of employee retention on employee performance in the textile industry. The study adopted a survey using convenience sampling techniques, questionnaire was used to collect data from the respondents. The findings of the study were that capacity building has effect on employee performance and this effect is enhanced when there is employee retention. Even though there is an effect of capacity building on performance of employees, it failed to explain if there is a moderating effect of capacity development and this study therefore aimed at establishing the moderating effect of capacity development on the relationship between public finance management practices and service delivery.

Andhoga, Mose, and Mavole (2018) conducted a study in Kasipul constituency using a mixed methods research design to examine the moderating effect of the regulatory framework on the relationship between technical capacity and effective management of national government constituency development funded (CDF) projects. The study found that the regulatory framework does moderate the relationship between technical capacity and effective CDF project management. This research was conducted within the context of CDF projects, which operate under a different institutional setup compared to county governments.

A study by Vallejo & Wehn, (2016) on capacity development evaluation: the challenge of the results agenda and measuring return on investment in the global South , found that the existing approaches were not adequate and more capacity development approaches needs to be used. The study failed to show whether capacity development approaches had effect on service delivery. The current study aimed at establishing the moderating effect of capacity development on the relationship between financial management practices and service delivery.

Kitapci, Aydin, & Celik, (2012) did a study on the effect of organizational learning capacity and innovativeness on financial performance in Turkey. Correlation analysis was done which found a positive correlation between organizational learning capacity and financial performance. The study revealed a positive relationship between system orientation, climate for learning orientation and knowledge acquisition and utilization orientation. This study was done in Turkey a developed country with a different GDP size compared to Kenya justifying the need for similar study in Kenya.

Liying &Kamisah, (2023) conducted a study to determine the relationship between staff capacity and performance in Chinese public universities. Using a survey research design and purposive sampling to select respondents, the study found that staff capacity development has a direct effect on the performance of Chinese universities. However, since the study was conducted in China, the results may not be generalizable to Kenya.

Ikani, Ope, & Muhamm, (2022) did a study on the role of staff capacity building on job performance of staff of the National College of Aviation Technology, Zaria. The study used primary data. The data was collected using a questionnaire. From the results of the study, it was found that capacity building is an effective tool for improving job performance and the study recommended mandatory trainings. The study recommended mandatory trainings. The study was done in an institution and may not present similar findings in county set up.

A study by Wanyama & Mutsotso, (2010) conducted a study on the relationship between capacity building and employee productivity on performance of commercial banks in Kenya. The findings of the study indicated a significant relationship between capacity building and performance of commercial banks. The research design used was descriptive survey design. The study collected data using questionnaire. The area of study was banking institutions in Kakamega. The study was done in the banking industry and the findings may not be generalized to other sectors.

2.2.5 Service Delivery by County Governments

In the context of county governments, service delivery refers to the provision of public services and the fulfillment of citizens' needs and expectations at the local level (Cabinet Office, 2007). It involves the implementation and management of various services and administrative services within a specific county jurisdiction. The goal of service delivery in county governments is to ensure essential services are accessible, efficient, and responsive to the needs of the local population, contributing to the overall well-being and development of the community (Barton, 2005). For the current study service delivery was measured using projects completion rate and budget absorption rate

Sadam (2019) did a study to establish impact of financial management procedures on service delivery. The study was done in county government of Isiolo, Kenya. New public management theory was used for this study and descriptive research design was used to guide the study. It was found that, financial management practices led to service delivery.

The service delivery was measured using number of complaints and cases reported about corruption. The current study measured service delivery using project completion rate and budget absorption rate.

Byarugaba, Karyeija, & Twinomuhwezi, (2014) examined the relationship between financial management practices and health service delivery in Rukungiri District, Uganda. Their study employed both case study and cross-sectional research designs and collected qualitative and quantitative data. Service delivery was assessed through health sector services, whereas the current study will measure it based on project completion rate and budget absorption rate. It is important to note that the study was conducted in a different country, and therefore, its findings may not necessarily apply to Kenya.

Otwoma, Rotich, Ombui& Buyema (2021) investigated the impact of public service management on service delivery using data collected from Huduma centres in Kenya. They employed a descriptive research design to gather quantitative data through a questionnaire. The study concluded that there was no statistically significant effect of financial management practices on public service delivery within the Huduma centres context. This study was specific to Huduma centres, whereas the current study focused on counties in Kenya.

According to Ahmed (2022) study on the effect of public financial management on service delivery of the ministry of finance, budgeting is related to service delivery.The study was done in Hargeisa, Somaliland using cross sectional research design .For the study, service delivery was measured using fiscal discipline, allocative and operational efficiencies. The study was done in Somaliland a country with different conditions with

Kenya. It is for this reason that the current study was done in Kenya where service delivery was mesured using project completion rate and budget absorption rate.

Another study was done by Maina (2016) to investigate the role of public financial management practices on service delivery. The study was done in selected counties in Kenya using descriptive research design. The target respondents were the members of county asssemblies. The results indicated that public financial management practices had impact on service delivery. The dependent variable was service delivery and it was measured using service provision rating on education, health, infrastructure development, water, sanitaion, garbage collection and agricultural extension services.

Hassan (2016) investigated financial management systems in the local governments of Garowe, Somalia. Descriptive research design was adopted for the study. The data was collected using questionnaire target population of 140 respondents. The study used stratified and purposive where a sample of 104 respondents were chosen to participate. The study found accounting systems had a significant effect on the integrity of financial management systems in the local governments. The study also found that budgeting, management practices had a significant role in the integrity of financial management systems. It is worth noting also that the study found low influential of employee capacity in determining the integrity of financial management system. This study was done in Somali the proposed study will be done in Kenya using correlational research design.

Karama and Muia (2019) did study to establish the effect of financial resources on the delivery of devolved services in selected counties in Kenya. The theory that was used in the study was Resource Based View Theory. The study used blended research design with the research philosophy being positivism. The sample size was 384 and data was collected using questionnaire. It was revealed that financial resources are significant drivers of projects in counties. The study failed to show if there exists a relationship between the studied variables and the current study was to address this.

Maina (2017) carried out a study to examine the role of public financial management practices on service delivery. The study sampled three counties (Nairobi, Kiambu and Kajiado). The study found a positive effect of public financial management practices on service delivery in the selected counties. Three recommendations from the study will be answered by this study. Firstly, the study will establish the effect of financial planning practices which the counties use to prepare financial plans and budgets with an aim of determining if the public are involved. Secondly, the study will determine investment implementation practices to establish if the set budget for specific projects is used adequately on that specified project or not. Thirdly, the study will establish financial resource mobilization strategies adopted by these counties so as to enhance efficiency in revenue collection for enhanced service delivery.

Different studies reviewed used varied indicators to measure service delivery. For this study, service delivery was the dependent variable and was measured using project completion rate and budget absorption rate.

2.3. Theoretical Framework

According to Camp, (2001), theoretical framework is an explanation of a phenomenon based on conceptual analysis, previous studies and theories that exist in the literature. This section will review existing theories that are pertinent to financial management practices, staff capacity development and service delivery. It makes an effort to show how financial management practices, staff capacity development and service delivery are related. For this study, budget theory, agency theory, optimal taxation theory and capacity building theory wasused to guide the current study.

2.3.1. Budget Theory

Budget theory, with Aaron Wildavsky as one of its proponents, forms the foundation for comprehending the political and social motivations underlying government and civil society budgeting practices. As a specialized branch of public policy, budget theory delves into the intricacies of budget formulation, implementation, and management by governments. Its primary objective is to gain insights into the dynamics of public budgeting, including an examination of the decision-making processes that shape budget allocations and priorities (Wildavsky, 1964).

Budget theory underpins the political and social motivations behind government and civil society budgeting. Budget theory is a branch of public policy that examines how governments formulate, implement, and manage their budgets. This theory is focused on understanding the dynamics of public budgeting, as well as the decision-making processes involved in this process. Budget theory is a subfield of public finance that considers the economic, political, and social aspects of government budgeting (Broughel, 2022).

At its core, budget theory studies the relationship between fiscal policy and economic performance. It looks at how governments use fiscal policy to affect economic growth, employment, inflation, and other macroeconomic indicators. Budget theory also examines how governments use fiscal policy to manage debt levels and deficits. In addition, budget theory examines how governments prioritize spending and how they allocate resources among different sectors (Scott& Enu-Kwesi, 2021). This theory is also concerned with how governments use budgeting to achieve their political objectives and how they manage their budgeting process.

At the same time, budget theory looks at how the public sector interacts with the private sector. This includes how taxes and public spending affect private investment, consumer spending, and economic growth. Budget theory also considers how governments use fiscal policy to address poverty, inequality, and other social issues. Budget theory looks at how governments can use budgeting to achieve their long-term goals. This includes setting targets for budget deficit and debt levels, as well as using fiscal policy to achieve economic stability (Pidchosa, Lyutyy&Pidchosa, 2019).

Budgeting can have a significant effect on public sector service delivery. When done properly, budgetary processes can help ensure that government departments and agencies have the resources necessary to meet their goals and objectives. This can lead to more efficient and effective service delivery, as well as improved accountability and transparency. Budgeting can also help to reduce costs by having a clear understanding of the costs associated with delivering services, departments can better allocate resources and prioritize activities to meet their goals. In addition, budgeting can help to identify areas where services can be improved or where new services can be introduced to better meet the needs of citizens (Mubashar& Tariq, 2019).

This theory guided specific objective number one since budget theory is an important part of public policy that helps governments understand the dynamics of fiscal policy and how it affects economic and social outcomes. It also helps governments make informed decisions about budgeting and fiscal policy. Article 201 of the Constitution of Kenya directs that there shall be openness, accountability, transparency and public participation in financial matters.

2.3.2. Agency Theory

Agency theory was formulated by Jensen and Meckling in 1976. This theory is founded on the relationship between the agent and that of the principal. An agency relationship refers to a contract whereby the principal engages the agent to carry out some services or activities and delegates the decision-making powers. There is an agency relationship in the national and county governments set up. The citizens are the principals and the governments are the agents and the nature of this relationship gives the authority and power to the governments to carry out the mandate on their behalf (Raimo, Vitolla, Marrone& Rubino, 2021).

The agency theory suggests that public financial management should be seen as an agency relationship, in which public officials are entrusted with managing public funds in the best interests of the public (Matinheikki, Kauppi, Brandon–Jones*et al.* 2022). This theory is based on the idea that public officials are responsible for managing public funds in a way that is in the best interests of the public, and that they should be held accountable for their actions. This theory suggests that public officials should be incentivized to manage public funds. (Barlow, 2015).

Additionally, this theory suggests that public officials should be adequately resourced and capacity built to manage public funds effectively, and that governments should ensure that public officials are held accountable for their actions. This theory emphasizes the importance of holding public officials accountable for their management of public funds in order to ensure the successful delivery of public services (Tekin& Polat, 2020).

On the other hand, Hendriks (2017) criticized agency theory by arguing that the peripheral costs incurred in monitoring the agents tend to be higher as compared to the marginal cost incurred. The cost component is a criticism that will affect the implementation and adoption of this theory. The third criticism on agency theory is that, during the formulation of the possession, there are problems with the controlling functions whereby the management tend to always priorities their welfare and interest as opposed to the welfare and interest of their appointing principals who are the shareholders.

This theory was useful in specific objective number two since there exists an agency relationship between the officers responsible for managing resources and the citizens who are owners of the resources as taxpayers and always expect services from the public and state officers. The citizens elect leaders and this also is a justification for the agency relationship between the two.

2.3.3. Optimal Tax Theory

Optimal tax theory, which was proposed in 1927 by Ramsey, is the study of designing and implementing a tax that maximizes a social welfare function subject to economic constraints. According to Farhi and Gabaix (2020), optimal tax theory is a branch of economics that studies how governments should design and implement taxes in order to maximize their revenue generation. This theory suggests that taxes should be set at optimal levels, which are determined by considering various factors such as the elasticity of demand for the good or service being taxed, the cost of administering the tax, and the potential for tax avoidance. Optimal tax theory also suggests that taxes should be progressive, meaning that the tax rate should increase with income level, in order to reduce income inequality (Jha &Gozgor, 2019).

Revenue from taxes is required to finance the provision of services, utilities and public goods. The tax charged can also be very discouraging to the taxpayers since too much tax will demotivate the tax payers from working especially taxes for the employed. There must be an equilibrium level between the amount of taxes charged to raise maximum tax and not discouraging the tax payers.

Optimal tax theory is closely associated with resource dependency theory which posits that organizations depend on resources from outside sources such as financial management practices to operate and deliver services. Investing in staff capacity development can help organizations to better manage their resources and maximize their service delivery (Gerritsen, Jacobs, Rusu& Spiritus, 2020). Optimal tax theory is based on the understanding that taxes should be designed to achieve a variety of goals, such as providing adequate revenue to fund government services, encouraging economic growth, and reducing income inequality. For example, by setting the optimal tax rate, the government can ensure that the right amount of revenue is generated to fund public services while also avoiding over-taxation which could stifle economic growth. In addition, progressive taxation can reduce income inequality by ensuring that individuals with higher incomes pay more in taxes than those with lower incomes (Jha &Gozgor, 2019).

In order to achieve these goals, governments must carefully consider impact of their tax policies on the overall economy. This includes analyzing impact of different tax rates on the elasticity of demand for the goods and services being taxed, the cost of administering the tax, and the potential for tax avoidance. Governments must also consider the impact of their tax policies on the distribution of income, as well as the impact on economic growth (Kessing, Lipatov& Zoubek, 2020). Additionally, governments must consider the impact of their tax policies on overall economic efficiency.

The optimal tax theory has been used to inform the design and implementation of taxes in many countries around the world, and is an important part of government revenue generation strategies. By taking into account the various factors discussed above, governments can ensure that their tax policies are set at optimal levels, maximizing their revenue generation while also achieving their desired goals. Through careful consideration of the optimal tax theory, governments can ensure that their tax policies are effective in achieving their desired objectives, while also ensuring that their citizens are not overburdened with excessive taxes (Farhi &Gabaix, 2020). This theory guided the third specific objective on raising own source revenue through the county finance act that stipulates the areas of taxes and the rates of taxes, fees and licenses.

2.3.4. Capacity Building Theory

The proponents of the Capacity Building Theory - SCP (Structure, Conduct and Performance) approach includes Richard S. Rosenbloom and Wesley S. Williams who developed and popularized this theory. Their work on Capacity Building Theory - SCP framework has been influential since its introduction in the late 1980s and early 1990s (Yeboah, 2018). They have contributed significantly to the development and application of the theory, highlighting the importance of organizational capacity building in achieving improved performance outcomes in public organizations.

This theory suggests that capacity building is an essential part of improving public service delivery. This theory argues that staff capacity development can help ensure that public service delivery is effective and efficient. Through investing in staff capacity development, governments can ensure that employees have the necessary skills and knowledge to perform their duties effectively, which can lead to improved public service delivery (Yeboah, 2018). This implies that if staff capacity is improved, it can lead to an even greater improvement in service delivery (Olwande &Tumuti, 2022).

This theory is based on the idea that by investing in staff capacity development and ensuring employees acquire necessary skills and knowledge to perform their duties effectively, governments can improve the quality of public service delivery (Phale, Li, Adjei-Mensah, Omari-Sasu& Musah, 2021). Furthermore, the theory suggests that staff capacity building is an essential part of improving public service delivery. It closely relates to the Human Resources Theory that suggests that human resources management is a key factor in improving overall performance and public service delivery in governments. By investing in staff capacity development, governments can improve the quality of public service delivery (Gakinya, Chui & Muiru, 2022).

Overall, the literature suggests that staff capacity development can play a key role in improving service delivery by investing in staff capacity development (Nyaga, Ngugi& Kinoti, 2022). Furthermore, staff capacity development can act as a moderating factor between financial management practices and service delivery, leading to an even greater improvement in public service delivery.

The capacity development theory guided the fourth specific objective of the study since the capacity development within a county may affect the overall performance. With capacity development, the staff will acquire requisite and additional skills to perform their assigned roles. This may affect the overall output. In this case the capacity development is expected to equip the staff implementing financial management with adequate skills to manage financial resources of the county government which may overall impact on the service delivery.

2.4. Conceptual Framework

Conceptual framework is a network/interlinked system, or relationship of assumptions, expectations or beliefs. Dependent variable was service delivery of county government in Nairobi Metropolitan Area, Kenya while independent variables were; budgeting practices, internal control practices, resource mobilization practices. The moderating variable was capacity development.

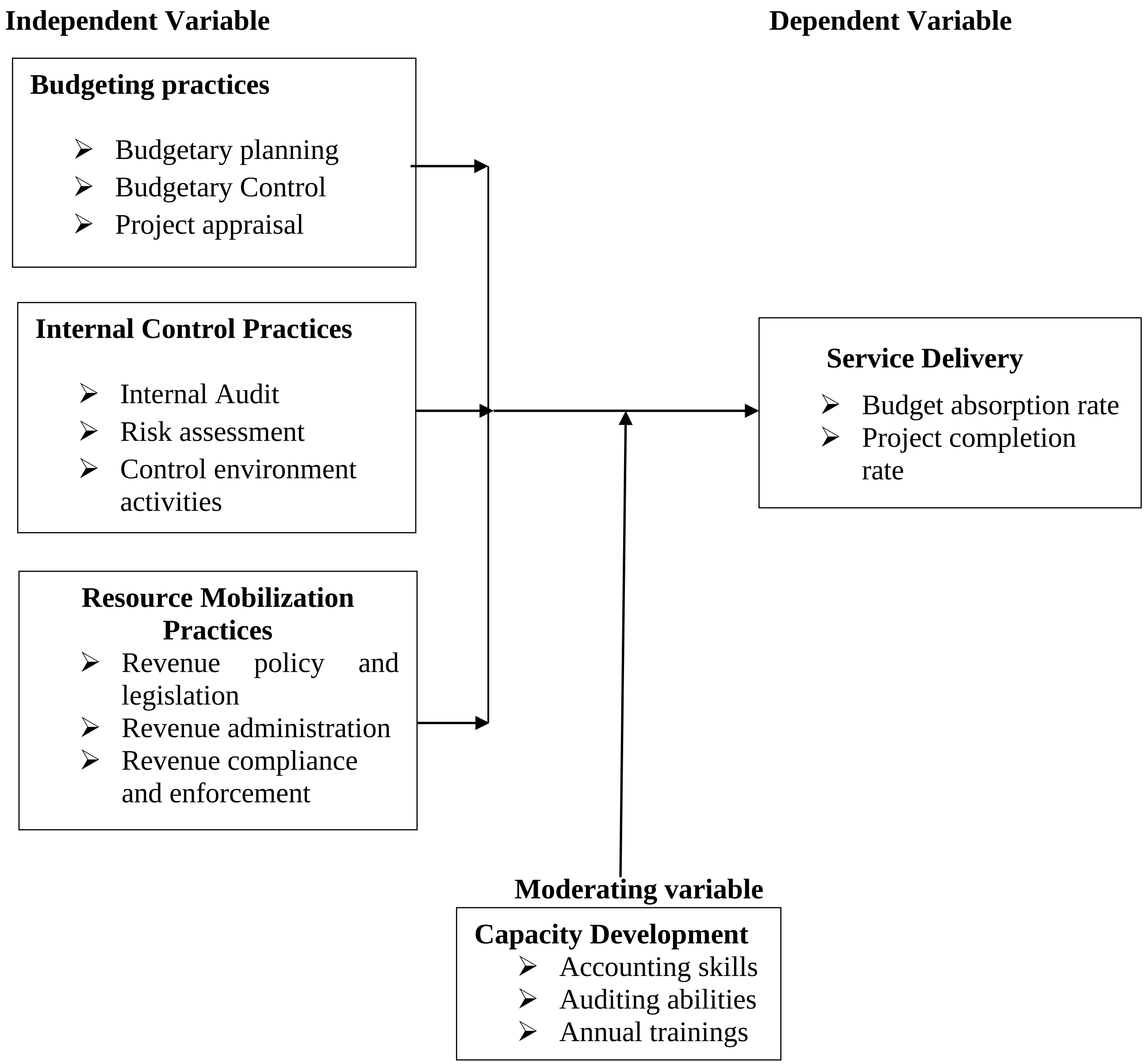


Fig. 2.1 Conceptual Framework

Source: Adapted and modified from Mutai *et al.*, (2018)

2.5. Identification of Knowledge Gap

Literature review aims at establishing relationship between the independent variable, the moderator and the dependent variable. There have been numerous studies that have demonstrated the importance of financial management practices in improving service delivery in organizations. Despite these existing studies, research specific to public finance management practices, capacity development and service delivery in county governments remains limited and often does not comprehensively address the combined impact of budgeting practices, internal control practices, and resource mobilization practices on service delivery. Most of the studies done on this area studied different variables of public finance management practices. In addition, the previous studies were done in other sectors which included Banking and Micro small and medium enterprises. Studies done in counties focused more on counties with low budget size whereas current study was done in counties within Nairobi Metropolitan Area.

Staff capacity development plays a pivotal role in ensuring effective implementation of financial management practices and timely delivery of public services. However, research on the moderating effect of capacity development remains relatively limited, particularly with counties within the Nairobi Metropolitan Area. There exists a significant knowledge gap regarding how and to what extent capacity development can influence the relationship between public finance management practices and service delivery. The current literature lacks empirical studies exploring these dynamics comprehensively. In particular, there is a need to understand the specific mechanisms by which staff capacity development affects the variables under study and to investigate whether staff capacity development can enhance effectiveness of public finance management practices in improving service delivery

According to the literature reviewed, previous studies predominantly collected data from County Executive Committee Members or County Chief Officers who are political appointees and are serving short terms, potentially lacking institutional memory. In contrast, this study uniquely targeted directors in county departments through a simple random sampling approach, providing a comprehensive understanding from a broader and more stable managerial perspective.

The purpose of this chapter was to review existing literature on public finance management practices, capacity development and service delivery with a particular focus on county governments. The review of literature revealed that public finance management practices, play a crucial role in financial performance and service delivery. Studies such as those by Scott & Enu-Kwesi (2018) and Mbogo, Olando, & Macharia (2021) indicate a positive relationship between effective budgeting practices and improved service delivery outcomes. However, these findings are often limited to specific sectors or geographic areas.

Despite the insights provided by previous research, there remains a significant gap in the literature concerning the effect of budgeting practices, internal control practices and resource mobilization practices on service delivery in County Governments. Additionally, there exists a significant knowledge gap regarding how and to what extent capacity development can influence the relationship between public finance management practices and service delivery. This study aimed to address these gaps by conducting a comprehensive analysis of public finance management practices, capacity development and service delivery of county Governments in Nairobi Metropolitan Area, Kenya. By doing so, it sought to provide a more nuanced understanding of how different public finance management practices influence service delivery outcomes in various contexts, thereby contributing to more effective public financial management strategies.

The following chapter will detail the research design and methodology used to investigate the hypotheses formulated based on the gaps identified in this literature review.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the research design, location of the study, target population, sample and sampling procedures, data collection instruments, data collection procedure and data analysis and presentation.

3.2. Research Design

This section presents the research philosophy and design that was adopted in order to actualize the objectives of the study. In terms of philosophical approach, a positivism research philosophy was adopted in this study. Kirui & Naibei (2023) argues that it is important for a study to be hinged on a paradigm as it helps to create focus and direction of the study without which, a study will lack orientation and focus. Positivism philosophy holds that knowledge can be obtained through objective observations and measurements (Khan, 2017; Kothari, 2014). For the current study, the approach was based on objective observations and measurements. Furthermore, data was collected from the counties in Nairobi Metropolitan Area, analyzed and interpreted to make conclusions. Positivism helped provide a comprehensive insight on this study.

Research design gives a guide on how the study will be conducted. It outlines the procedures needed to obtain the necessary data, as well as the methods used to analyze and interpret the data (Snyder, 2019). Research design provides a roadmap to ensure the research objectives are accomplished and the results are meaningful (Kirui & Naibei, 2023). For this current study, cross sectional, correlational research design was used. This method enabled the researcher to investigate relationships between variables. The design enabled establishment of relationship between budgeting practices, internal control practices, and resource mobilization practices as the independent variables, with service delivery as the dependent variable, Capacity development being the moderating variable.

3.3. Location of the Study

The study was done in Nairobi Metropolitan Area counties namely Nairobi City, Kiambu, Kajiado, Muranga and Machakos County Governments. The map of the study area is in Appendix IV. The NMA is a country's principal economic and cultural center. It contributes 60% of the country's GDP and houses approximately 15% of the Kenya's population (Mundia, 2017). This population is diverse with varying socio-economic statuses. Studying public finance management practices, capacity development and service delivery in this area can provide insights into managing finances in a highly urbanized and economically diverse context, which can have implications for other metropolitan regions in Kenya and beyond. According to World Bank, (2016) the urban population in Kenya will grow considerably in the Nairobi metropolitan area. From the report, it is projected that Nairobi city will register a population increase to more than 6 million by the year 2030. This is an increment from the initial population of 4 million in 2015. The growth of the population of NMA will result in increase in the demand of services expected from the county governments within NMA.

According to World Bank, (2019), the Nairobi Metropolitan Area faces unique challenges associated with rapid urbanization, including infrastructure strain, housing shortages, and increased demand for public services. Understanding how PFM practices can address these challenges is crucial for improving service delivery in rapidly growing urban areas. This study can provide a framework for other urban areas experiencing similar growth.

NMA serves as a strategic location for both national and international businesses, NGOs, and government agencies. Effective PFM in this region is critical not only for local service delivery but also for maintaining Kenya's position as a regional economic leader. The findings from this study can enhance strategic planning and resource allocation to sustain and improve service delivery (Langabeer & Helton, 2019).

3.4. Target Population

According to Nayak and Singh (2021), target population is a complete group of specific population elements relevant to the research. The study population on the other hand is the population from which a sample is drawn (Asiamah, Mensah & Oteng-Abayie, 2017).

The study’s target population was the directors who are managerial staff of the departments in the four counties; currently the four counties had 163 Directors. The choice of the respondents was to get proper, non-politicized responses. Chief Executive officers and Chief Officers were omitted as target population since they are political appointees and might give biased responses. Table 3.1 Shows the distribution of the target population in the four counties.

Table 3.1: Target Population

County	Directors	Percentage
Nairobi	70	42.95
Kiambu	31	19.02
Kajiado	30	18.40
Machakos	32	19.63
Total	**163**	**100.0**

Source: County Government Reports, (2023)

3.5. Sample and Sampling Procedures

Kumar (2018) defines a sample as a small number of the population used to draw conclusion in association with the study population, while sampling refers to the process of obtaining the sample so as to ascertain the unknown characteristics of the population. Gupta & Gupta (2022) elaborated that a sample size need to comprise of a comprehensive list of all the sampling units from which a sample should be selected. It is the process of obtaining information about an entire population by examining only a part of it. Sampling is used in inferential statistics to make predictions on the behavior of the population.

The study adopted Yamane, (1967) formula to calculate the sample size.

Yamane's formula:

$n = N/ (1+Ne^2)$

$n= 163/ (1+163*0.05^2)$

$n= 116$

The study used a sample of directors in all the counties. Each county has directors in every department who are permanently employed. After determining the sample size of 116 directors, to ensure that each county was proportionately represented, proportionate sampling was applied by selecting 116/163 (approx 71%) of directors in each county. The resultant sample size in each county is presented in Table 3.2. In order to determine the participants in each county, simple random sampling technique was applied.

Table 3.2: Sample size

County	Directors	Sample size	Percentage
Nairobi	70	50	43.1
Kiambu	31	22	19
Kajiado	30	21	18.1
Machakos	32	23	19.8
Total	**163**	**116**	**100.0**

Source: Research computations, 2023

3.6. Data Collection Instrument

According to Nayak & Singh (2021), data collection is a means by which information is obtained from the selected subjects of a given study. For this study, primary data was collected. The primary data collection instrument that was used in this study was a self-administered structured questionnaire. The data collection instrument had six sections; section A contained background information of the respondents while section B to F contained data on the study variables as per the objectives measured on a five-point Likert scale. The data collection instrument is in appendix II.

3.6.1. Validity of Research Instrument

To ensure validity of the instrument, the instrument was given to the supervisors and scholars in finance field to check on content of the research instrument. Content validity helped to confirm that the information in the questionnaire addresses the stated objectives and the indicators and serves the intended purpose. The tool should be accurate and measures the intended objects Sürücü and Maslakçi (2020). Face validity was ascertained through review of the questions so that they reflect the intended objectives. The researcher ensured that all the questions in the instrument were easy to understand.

Construct validity was also measured by including all the variables that were derived from the literature in the data collection instrument. To ensure this, the significant variables namely service delivery, public finance management practices and capacity development was included in the questionnaire. In addition to this, experts in the field of finance were used to validate the questionnaire before administering it to the respondents.

3.6.2. Reliability of Research Instrument

Sürücü & Maslakçi (2020) define reliability of research instruments as the consistence of scores obtained and have two aspects; stability and equivalency. Ensuring the reliability of a research instrument is crucial to confirm that it consistently measures what it is intended to measure. The following steps outline the procedure for determining the reliability of our research instrument: First pilot testing was conducted. A small, representative sample with ideally similar conditions to the main study population in terms of characteristics was selected then; the research instrument was administered to this pilot sample of 10 directors from Muranga County under conditions that closely resemble those of the actual study. Muranga County was chosen since it is a member of Nairobi Metropolitan Area and therefore has similar characteristics with the target population as explained by Sürücü & Maslakçi (2020).

Finally, the results from the pilot study were tested for reliability using Cronbach's Alpha coefficient. This coefficient measures internal consistency in a single scale and measures variance attributable to subjects and interaction among subjects (Kumar, 2018). A Cronbach's alpha of above 0.70 as a minimum level is acceptable (Amirrudin, Nasution &Supahar, 2021). Table 3.3 presents the results of the reliability tests.

Table 3.3: Reliability of Instrument

Description	**No. of Items**	**Value**	**Cronbach's Alpha Remark**
Budgeting practices	7	0.850	Accepted
Internal control practices	8	0.831	Accepted
Resource mobilization practices	7	0.903	Accepted
Capacity development practices	6	0.875	Accepted
Service delivery	5	0.891	Accepted
Overall	33	0.903	

The reliability of the questionnaire was tested using Cronbach's Alpha coefficient. The results in Table 3.3 above showed that all the variables were above the minimum acceptable margins of 0.7. The budgeting practices indicated a value of 0.850, internal control practices gave a value of 0.831, resource mobilization practices had a value of 0.903, and capacity development practices had a value of 0.875 whereas service delivery had a value of 0.891.

3.7. Data Collection Procedures

The researcher sought permission to undertake the study by obtaining an introductory letter from University of Kabianga, Board of Graduate Studies. A research Permit was obtained from National Commission for Science, Technology and Innovation. The researcher administered the questionnaires to the participants on a drop and pick later basis.

Three research assistants were engaged who were first trained on research ethics, possible challenges they were likely to face and how to address them. The Questionnaires were distributed physically to the respective respondents who were located in different departments in different counties within Nairobi metropolitan Area. These questionnaires were picked after the respondents had completed filling them.

3.8. Data Analysis and Presentation

Snyder (2019) defined data analysis as the computation of certain measures along with searching for patterns of relationships that exist among data groups. For this study, data was collected from the various departments in county governments, cleaned, analyzed to generate information and used to test the research hypotheses. The study used descriptive analysis, correlation analysis and regression analysis to analyze the quantitative data.

For this study descriptive analysis was used to analyze descriptive statistics to show the means, modes and medians of the data. For the inferential statistics, correlation analysis was done using SPSS version 22.

3.8.1. Model of analysis

The data was analyzed using the following models:

A simple regression model was used to analyze data and was represented as shown in the equation below:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \text{ .... (i)}$$

Where;

Y is the service delivery

β_0 is the constant term,

β_1, is the beta value for the independent (Budgeting practices). This indicates the value of service delivery by a unit change in budget practices.

X_1 is Budget practices,

εRepresents the error term

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon \text{ .... (ii)}$$

Where;

Y is the service delivery

β_0 represents the constant term,

β_2, is the beta value for the independent (Internal Control Practices). This indicates the value of service delivery by a unit change in Internal Control Practices

$X_2$is Internal Control Practices

εRepresents the error term

$Y = \beta_0 + \beta_3 X_3 + \varepsilon$ .... (iii)

Where;

Y = is the service delivery

β_0 = represents the constant term,

β_3, = is the beta value for the independent (resource mobilization practice). This indicates the value of service delivery by a unit change in procurement practices

ε= Represents the error term

The multiple regression model to be adopted was;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ ....(iv)

Where;

Y is the dependent variable (service delivery)

β_0 represents the constant term,

β_1, β_2, β_3, measures the effect of the dependent variable (service delivery) on a change by a unit change of the independent variable,

X_1 is the budgeting practice

X_2 represents internal control practice

X_3represents the resource mobilization practice

ε is the error term

For this study, the regression model with the effect of moderator was: -

$Y_m = \beta_0 + \beta_1 X \quad + \beta_2 M_2 + \beta_3 X \quad M + \varepsilon$...............................(v)

Where;

Y represents the dependent variable (service delivery)

β_0 is the constant term,

β_1, β_2, β_3, indicates the value of measure of dependent variable (service delivery) by a change in a unit of independent variable,

X = the independent variable

M = represents the moderator (capacity development)

ε = is the error term

3.8.2. Diagnostic Tests

This study employed linear regression in the analysis of data. Therefore it was necessary to establish that the assumptions of linear regression were not violated. The need to identify any violations of the underlying assumptions of linear regression is emphasized in reasearch to provide assurance for reliability and replicability of the findings (Field, 2013). The assumptions which are considered necessary if conclusions can be drawn about a population on the basis of a regression analysis done on sample data includes, nomality tests, homoskedasticity, linearity, normality of residuals and multicollinearity (Field, 2013). These assumptions are considered in the following subsection.

3.8.2.1. Normality test

For regression model, it is important to carry out the normality test to ensure that the data is well distributed. This will help to avoid data challenges on normality. For quality research, normality test should be tested to avoid challenges related to the absence of non-normality. Shapiro-Wilk test was utilized to test normality and a significant result less than 5% will be normally distributed. The results are presented in Table 3.3.

Table 3.4: Normality Tests

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Budgeting practice	.221	116	.000	.881	116	.000
Internal control practice	.181	116	.000	.935	116	.000
Resource mobilization practice	.152	116	.000	.919	116	.000
Capacity development	.143	116	.000	.939	116	.000
Service delivery	.176	116	.000	.939	116	.000

a. Lilliefors Significance Correction

From the results (Table 3.4) obtained it was confirmed that the data was normally distributed since the values for both the Shapiro-Wilk and Kolmogorov-Smirnov was within the acceptable margins of between 0 and 1 for both Shapiro-Wilk and Kolmogorov-Smirnov. In addition to this graphical analysis was done to check the normality of the data. The results is presented in the next section.

3.8.2.2. Linearity Assumptions

According to Kirui & Naibei (2023), linearity can be tested either by examining scatter plots of the independent variables against the dependent variable or by use partial regression plots also known as component-plus-residual plots for each independent variable. The assumption can then be detected by examining existence or otherwise of the linear relationship in the plots. Testing this assumption is imperative because modeling a non-linear relationship using a linear model may limit the generalization of the data (Field, 2005). Fig. 3.2(a) – 3.2(d) shows the satisfaction of linearity conditions.

Fig 3.2(a) shows the scatter plot for Budgeting Practices. It can clearly be observed that there is a straight-line pattern. This shows a linear trend, implying that linearity assumption is met.

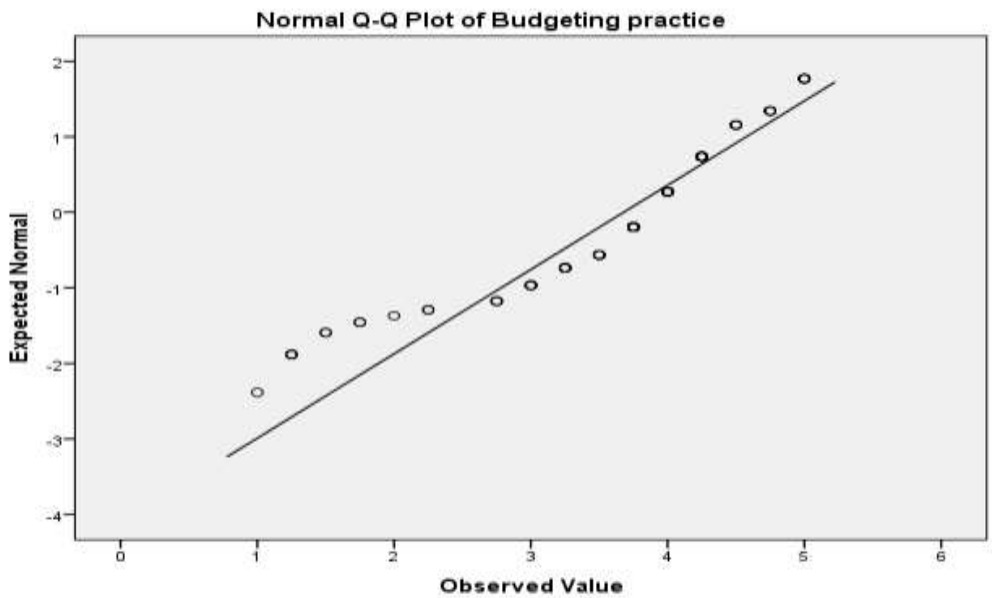


Fig. 3.2(a): Normal Q-Q Plot of Regression Standardized Residuals for budgeting practices

Source: Survey data, (2024)

Likewise, Fig 3.2(b) shows the scatter plot for Internal Control Practices. It can clearly be observed that there is a straight-line pattern. This shows a linear trend, implying that linearity assumption is met.

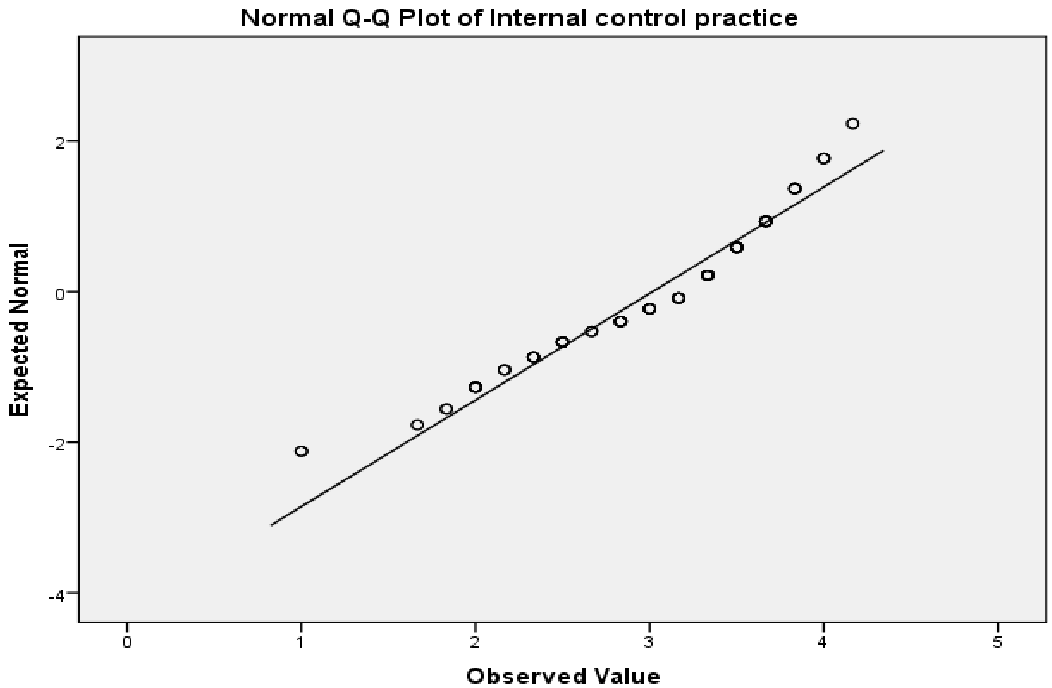


Fig. 3(b): Normal Q-Q plot of Regression Standardized Residuals Internal Control practices

Source: Survey data, (2024)

Figure 3.2(c) shows the normal scatter plot for resource mobilization and service delivery. Visual impression of the scatter plot of observed and expected values portrays a linear trend implying that the data satisfies the requirements for linearity assumption

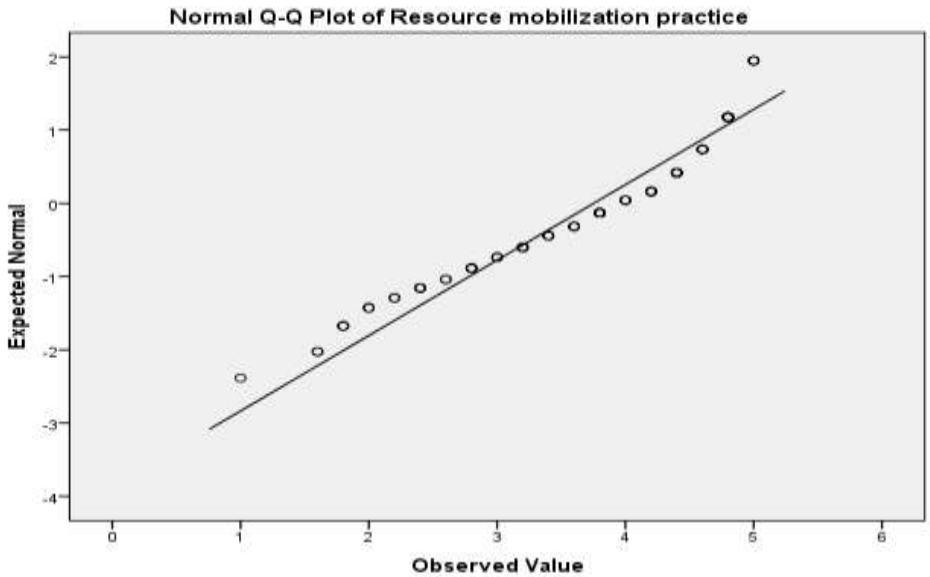


Fig 3.2(c): Normal Q-Q Plot of Regression Standardized Residuals Resource Mobilization practices

Source: Survey data, (2024)

The moderator variable was also tested for linearity assumption. Fig 3.2(d) shows the scatter plot for capacity development. It can clearly be observed that there is a straight-line pattern. This shows a linear trend, implying that linearity assumption is met.

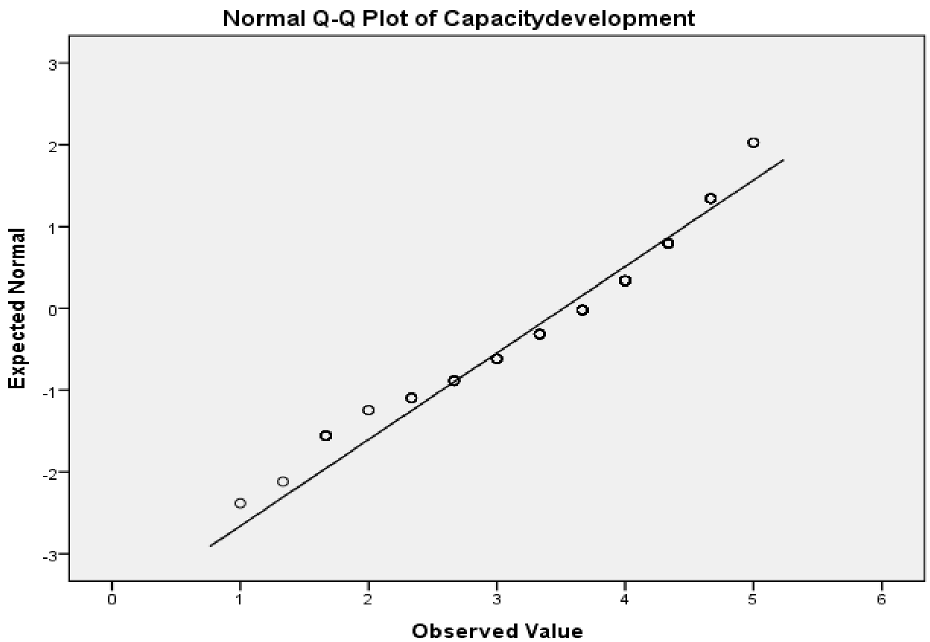


Fig. 3.2(d): Normal Q-Q Plot of Regression Standardized Residuals for capacity development

Source: Survey data, (2024)

3.8.2.3. Homoscedasticity Assumption

Homoscedasticity assumption is satisfied when at each level of the predictor variable(s) the variance of the residual terms are constant (Kirui & Naibei, 2023). If the assumption does not hold the accuracy of the *r* coefficient may be invalid. Testing this assumption ensures that the goodness of fit as measured by the Pearson coefficient is not overestimated. A plot of standardized differences between the observed data and the values predicted by the regression model (ZRESID) against the standardized predicted values of the dependent variable (ZPRED) was used to assess whether the assumption of random error and homoscedasticity had been satisfied.

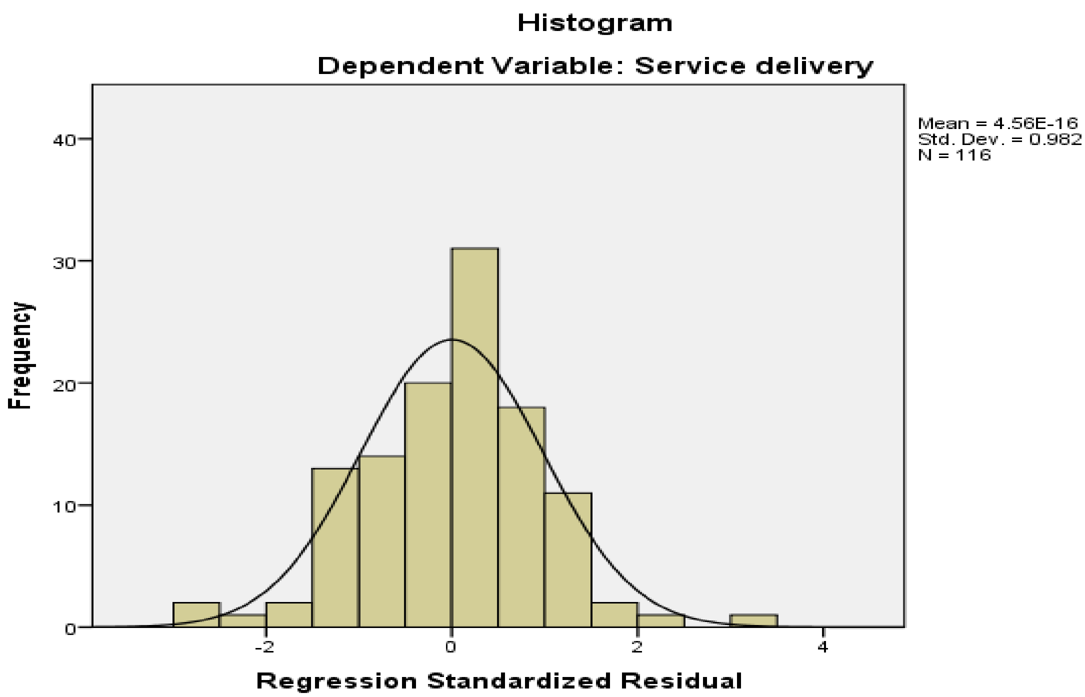
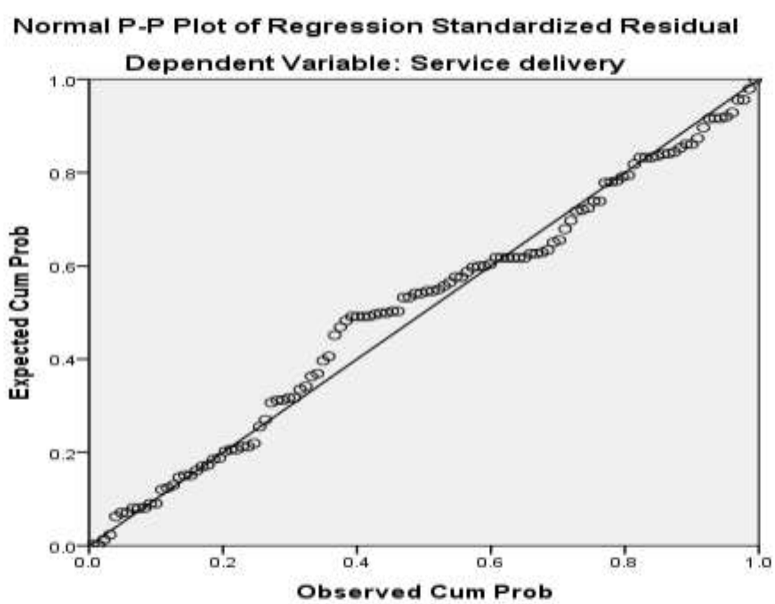


Fig. 3.3(a): Histogram of regression standardized residuals for Service Delivery

Source: Survey data (2024)



Fig/ 3.3(b): Normal P-P Plot of Regression Standardized Residuals for Dependent variable

Source: Survey data (2024)

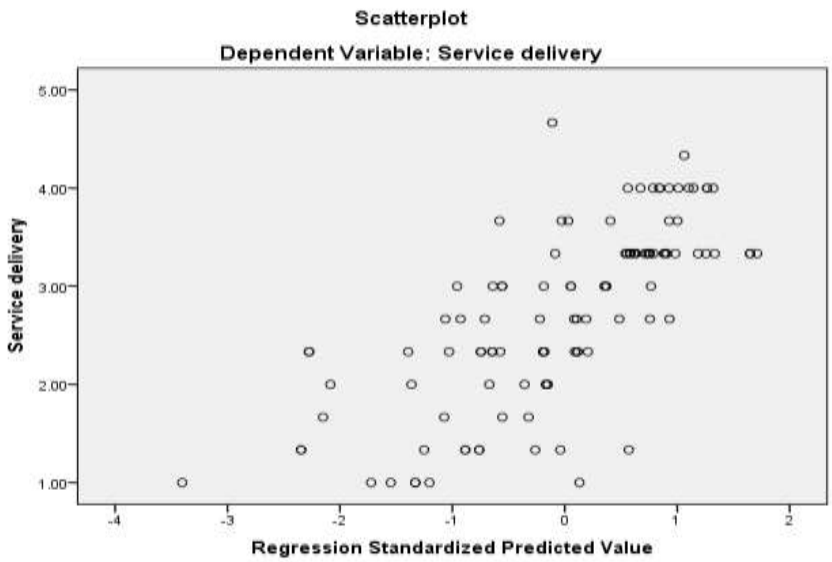


Fig 3.3(c): Scatter plot of ZRESID against ZPRED for dependent variable

Source: Survey data (2024)

Figure 3.3(c) shows that the points are more or less randomly and evenly spread in the scatter plot. Further, there is no curvilinear pattern, and the assumption of linearity is reinforced (Field, 2013).

3.8.2.4. Multicollinearity tests

In this study, multicollinearity was tested to establish the existence of auto correlations among the independent variables by means of tolerance and VIF (Variance Inflation Factor). This test indicates that there is no auto correlations between budgeting practice, internal control practice, and resource mobilization practice. According to Field, (2013), VIF indicates the extent of the inflation of standard error could be caused by collinearity where VIF above 10 indicates a multicollinearity. On the other hand , Cohen *et al.*, (2017) also emphasizes the need to carry out multicollinearity to avoid variables being correlated. For this study multicollinearity was tested to establish the existence of auto correlations among the independent variables by means of tolerance and VIF (Variance Inflation Factor). VIF indicates the extent of the inflation of standard error could be caused by collinearity where VIF above 10 indicates a multicollinearity Field (2003). The tolerance is an indicator of how much collinearity a regression analysis can tolerate. The pre-test results for general multicollinearity are shown in Table 3.4.

Table 3.5: Multicollinearity Tests

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Budgeting practice	.519	1.925
	Internal control practice	.569	1.757
	Resource mobilization practice	.363	2.757
	Capacity development	.502	1.991
a. Dependent Variable: Service delivery			

The VIF values ranged from 1.757 to 2.757, hence the extent of the inflation of standard error caused by collinearity was within the acceptable margins. The tolerance values ranged from 0.363 to 0.569 hence within the acceptable points above 0.1 (Field, 2013). It is concluded that there is no multicollinearity among the variables.

3.9. Ethical Considerations

Ethical considerations were paramount in this study to ensure the integrity and ethical conduct of the research process (Collis & Hussey, 2014. Prior to the commencement of the study, permission was sought and obtained from the Board of Graduate Studies of the University of Kabianga and the National Commission for Science, Technology, and

Innovation (NACOSTI), permit appended as Appendix I. In adherence to ethical principles, confidentiality was strictly maintained, ensuring that the identities of all participants remained anonymous and their responses were securely stored and used solely for research purposes. Informed consent was sought from the participants, who were fully informed about the study's purpose, procedures, potential risks, and benefits. Participants were assured of their right to withdraw from the study at any time without any negative consequences. The study also adhered to the principles of beneficence, ensuring that the research did not harm participants, and justice, ensuring that the selection of participants was fair and unbiased. These ethical safeguards were implemented to protect the rights and well-being of the participants and to uphold the ethical standards of academic research. This study fully complied with all ethical consideration in research.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1. Introduction

This chapter presents the results and discussions of the findings. The results are presented in three parts; first the results of the descriptive studies for the study variables are presented. This is then followed by results of the study objectives: the relationship between budgeting practices and service delivery, internal controls practices and service delivery, resources mobilization practices and service delivery and finally the moderating effect of capacity development on the relationship between finance management practices and service delivery of County Governments in Nairobi Metropolitan Area, Kenya. The section then proceeds to present the discussion of the findings.

4.2. Demographic characteristics

The demographic characteristics that were extracted include the response rate, the gender of the respondents, the academic qualification, and the department of the respondents and their length of service.

4.2.1. Response rate

The study used a sample of 116 directors in all departments in all the counties in Nairobi metropolitan area from a target population of 163 respondents. Each county has directors in every department who are permanently employed. The response rate was therefore one hundred percent. This high rate of response was realized owing to the close follow-up on the respondents and where there was a decline in response, the next respondent was picked from the remaining target population.

Both physical visits and Google forms were used to collect the data. This also assisted achieving the target population sample size. Introduction letters from the county secretaries were also used and this gave confidence to the respondents hence a higher response rate. Table 4.1 shows the descriptive of the response rates:

Table 4.1: Response Rate

Description	Frequency	Percentage
Total questionnaires issued	75	64.7%
Total responses received via goggle form	41	35.3%
Total responses	116	100.0%

4.2.2. Gender of the respondents

Data on the gender of respondents was collected. The results are shown in Table 4.2.

Table 4.2: Distribution by Gender

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	74	63.8	63.8	63.8
	Female	42	36.2	36.2	100.0
	Total	**116**	**100.0**	**100.0**	

The study examined the gender distribution of the participants to ensure a comprehensive understanding of the demographic composition. As depicted in Table 4.2, the findings revealed that out of the total 116 participants, 74 were male, accounting for approximately 63.8% of the sample. In contrast, 42 participants were female, representing 36.2% of the sample. This gender distribution highlights a higher participation rate among males compared to females in the study. The observed disparity in gender representation may reflect underlying demographic trends or participation dynamics within the target population. Understanding this distribution is crucial for contextualizing the study's results and ensuring that any gender-related factors are appropriately considered in the analysis and interpretation of the findings.

4.2.3. Academic qualification

The data on the academic qualification of the respondents was collected. This data was analyzed and the results presented in Table 4.3.

Table 4.3 Academic qualification

Academic qualification				
	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Certificate	2	1.7	1.7	1.7
Diploma	16	13.8	13.8	15.5
Bachelors	59	50.9	50.9	66.4
Post Graduate	39	33.6	33.6	100.0
Total	**116**	**100.0**	**100.0**	

The study assessed the academic qualifications of the respondents to understand their educational background, which is a crucial factor in analyzing their perspectives on public financial management practices and service delivery. According to the results presented in Table 4.3, the distribution of respondents based on their academic qualifications is diverse. A small portion of the sample, specifically 2 respondents, or approximately 1.7%, reported having certificate-level qualifications. Sixteen respondents, accounting for around 13.8% of the sample, indicated holding diploma qualifications. The largest group comprised 59 respondents, constituting 50.9% of the sample, who had obtained bachelor’s degrees. Additionally, 39 respondents, making up 33.6% of the sample, possessed postgraduate qualifications, including master’s and doctoral degrees.

These findings suggest that the majority of the respondents have substantial educational backgrounds, with more than half holding at least a bachelor’s degree. This high level of academic qualification among the respondents indicates a well-educated sample, which may influence their understanding and evaluation of public financial management practices and service delivery in the County Governments of the Nairobi Metropolitan Area, Kenya. The diverse educational qualifications among the respondents provide a broad range of insights and perspectives, enriching the study's overall analysis.

4.2.4. Department

The study collected data on the respondents’ departments. The data is presented in Table 4.4

Table 4.4: Departments of the respondents

Department				
	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Lands Housing and Physical Planning	3	2.6	2.6	2.6
Finance	38	32.8	32.8	35.3
Education	9	7.8	7.8	43.1
Health	5	4.3	4.3	47.4
Public service	13	11.2	11.2	58.6
Water and Environment	8	6.9	6.9	65.5
Roads and public works	13	11.2	11.2	76.7
Executive office of the Governor	11	9.5	9.5	86.2
Trade and Industrialization	1	.9	.9	87.1
Others	15	12.9	12.9	100.0
Total	116	100.0	100.0	

From the results presented in table 4.4 the respondents with highest percentage were from finance department with a percentage of 32.8, followed by respondents from other departments not mention with a percentage of 12.9, followed by respondents from roads and public works both with a percentage of 11.2 then executive office of the governor with a percentage of 9.5, then education with a percentage of 7.8, then water and environment with a percentage of 6.9 then health with a percentage of 4.3, then lands and physical planning department with a percentage of 2.6 and lastly trade and industrialization department with a percentage of 0.9.

This distribution shows that the study captures a wide range of insights from different departmental functions, which is essential for a holistic understanding of public financial management practices and their impact on service delivery. The significant representation from the Finance department underscores the importance of financial management in the context of the study, while contributions from other departments provide a balanced view of the broader operational landscape within the county governments. This diverse departmental representation enriches the study's findings and supports a comprehensive analysis of the research questions.

4.2.5. Length of service

The study analyzed the distribution of respondents based on their lengths of service to understand the experience levels within the county governments. The findings are presented in Table 4.5.

Table 4.5: Length of Service

Length of service				
	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5 years	29	25.0	25.0	25.0
6 to 10	47	40.5	40.5	65.5
Over 10	40	34.5	34.5	100.0
Total	116	100.0	100.0	

According to the findings presented in Table 4.5, respondents with less than 5 years of service constituted 25.0% of the sample, indicating that a quarter of the participants are relatively new to their roles. This group brings fresh perspectives and potentially new approaches to public financial management. Respondents with 6 to 10 years of service formed the largest segment, comprising 40.5% of the sample. This significant portion of moderately experienced individuals can provide balanced and well-informed insights into public financial management practices and service delivery. Lastly, respondents with over 10 years of service made up 34.5% of the sample, representing the more experienced employees. These seasoned professionals can offer deep insights based on their extensive experience in the county governments.

This distribution illustrates a diverse range of experience levels among the respondents, which is crucial for a comprehensive analysis. The varied lengths of service ensure that the study captures insights from both newer employees and seasoned professionals, offering a broad perspective on the effectiveness and challenges of public financial management practices in enhancing service delivery within the county governments.

4.3. Descriptive Analysis

The study carried out descriptive analysis to understand the characteristics of the variables under study namely; budgeting practice, internal control practice, resource mobilization practice, capacity development and service delivery. The descriptive analysis results were achieved by use of mean, standard deviation and percentages.

The results for the specific variables are presented in the following sub-sections.

4.3.1. Budgeting Practice

Budgeting practice was the study objective number one and this variable aimed at establishing the relationship between budgeting practice and service delivery of County Governments in Nairobi Metropolitan Area in Kenya. This variable was measured using budgetary planning, budgetary control and project appraisal. The descriptive statistics for this variable is shown in the Table 4.6.

Table 4.6: Descriptive Statistics on Budgeting Practice

Descriptive Statistics						
	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Availability of controls	116	1	5	455	3.92	.934
Allocate what was budgeted	116	1	5	447	3.85	1.307
Internal control availability	116	1	5	435	3.75	.986
Complete, realistic and accurate	116	1	5	366	3.16	1.262
N (listwise)	116					

From the responses received, the total respondents were 116 with the maximum score being 5. The mean for availability of controls was 3.92, mean of 3.85 for allocation of funds according to what was budgeted for, for internal controls availability a mean of 3.75, complete, realistic and accurate mean of 3.16. Overall, these findings highlight the perceived effectiveness and challenges within the budgeting practices of the county governments, as reported by the respondents. The generally positive mean scores for availability of controls and allocation practices suggest confidence in these areas, while the more neutral score for the accuracy of budgeting highlights an area that may require further improvement.

4.3.2. Internal Control Practice

The second objective of the study was to determine the relationship between internal controls practices and service delivery of County Governments in Nairobi Metropolitan Area, Kenya. This variable was measured using audit committee, implementation of projects as planned, availability of automated internal accounting system, rewards to individuals detecting frauds, risk measurement and reporting framework and authorization of transactions by designated staff. The descriptive statistics for this variable is presented in Table 4.7.

Table 4.7: Descriptive Statistics on Internal control Practices

	Statistics					
	Audit committee	Implement as planned	Automated accounting systems	Rewards are given	Risk management reporting framework	Financial authorization
N	116	116	116	116	116	116
Mean	3.70	2.48	3.04	1.70	2.87	4.31
Median	4.00	2.00	3.00	1.00	3.00	5.00
Mode	4	2	3	1	3	5
Std. Dev	1.136	1.009	1.410	.944	1.076	1.017
Min	1	1	1	1	1	1
Max	5	4	5	4	5	5

From the data analyzed, the mean for the audit committee was 3.70 with a median of 4.00, the mode was 4, and standard deviation was 1.136. The maximum value was 5 and a minimum of 1. The mean for the indicator on implementation of projects as planned gave 2.48 as the median of 2.00, the mode was 2, and standard deviation was 1.009. The maximum value was 4 and a minimum of 1. For the automated accounting system, the mean was 3.04, the median was 3.00, and the standard deviation was 1.410 with maximum value of 5 and 1 as the minimum.

For the rewards given as an indicator, the mean was 1.70, the median was 1.00, the mode was 1 with standard deviation of 0.944 and a maximum value of 4 and minimum value of 1. For the risk management reporting framework, the mean was 2.87, the median was 3.00, the mode was 3, and standard deviation was 1.076. The maximum value was 5 and the minimum value was 1. For the financial absorption the mean was 4.31, the median was 5.00, the mode was 5, the standard deviation was 1.017 and the minimum value was 1 and the maximum was 5.

4.3.3. Resource Mobilization Practice

The third objective of the study was to establish the relationship between resources mobilization practices and service delivery of County Governments in Nairobi Metropolitan area in Kenya. This variable was indicated by optimization of own source revenue, automation of revenue collection, deposit of revenue via mobile phone, revenue compliance and enforcement and review of financial plans. The results of the descriptive is as presented in Table 4.8

Table 4.8: Descriptive Statistics on Resource Mobilization practices

Statistics						
		Optimise OSR	**Automation of OSR**	**Direct deposit electronicall y**	**Revenue compliance**	**Review financial plan**
N	Valid	116	116	116	116	116
	Missing	0	0	0	0	0
Mean		3.59	3.73	3.78	3.92	3.74
Median		4.00	4.00	4.00	4.00	4.00
Mode		4	5	5	5	4
Std. Deviation		1.202	1.281	1.350	1.081	1.096
Minimum		1	1	1	1	1
Maximum		5	5	5	5	5

According to Table 4.8 the data revealed a mean of 3.59 for optimization of own source revenue, median of 4.00, mode of 4. The results indicate a standard deviation of 1.202 with a maximum value of 5 and a minimum of 1. For the direct deposit it gave a value of 3.78, 4.00, 5, 1.350, 1 and 5 for mean, median, mode, standard deviation, minimum and maximum values respectively. For the revenue compliance the mean was 3.92, the median 4.00, the mode being 5 and standard deviation of 1.081 with a maximum of 5 and a minimum of 1. On the review of financial plan indicator, the mean was 3.74, the mode the median 4.00, the mode being 4 and standard deviation of 1.096 with a maximum of 5 and a minimum of 1.

4.3.4. Capacity Development Practice

For this study the moderator was capacity development practice. This variable was measured using 5-point-Lickert-Scale with the following parameters: Staff adequate training on accounting skills, training on auditing skills and annual training for staff. The descriptive statistics is presented in Table 4.9.

Table 4.9: Descriptive Statistics on Capacity development practice

Statistics				
		Training on accounting skills	**Training on audit skills**	**Capacity development to staff**
N	Valid	116	116	116
	Missing	0	0	0
Mean		3.58	3.39	3.59
Median		4.00	4.00	4.00
Mode		4	4	4
Std. Deviation		1.136	1.053	1.202
Minimum		1	1	1
Maximum		5	5	5

From Table 4.9, the analysis found training on accounting skills to have a mean of 3.58, median of 4.00, mode of 4, standard deviation of 1.136 with a maximum value of 5 and a minimum of 1. For the training skills the mean was 3.39, the median was 4.00, the mode was 4 the standard deviation was 1.053, the minimum value was 1 and a maximum value of 5. On the other hand, the indicator on capacity development to staff indicated a mean on 3.59, median of 4.00, mode of 4, standard deviation of 1.202 with a minimum value of 1 and a maximum value of 5.

4.3.5. Service Delivery

The dependent variable of the study was measured using service delivery. Data on about this was collected from the respondents who were the directors from various departments. This was indicated by the ability of the county government to meet its budget target, absorption of the funds allocated and ability of the department to meet its planned projects in the annual development plan. The descriptive statistics of this variable is as indicated in Table 4.10.

Table 4.10: Service Delivery

Statistics			
	Meet budget targets	**Absorbs all funds**	**Meet planned projects ADP**
N	116	116	116
Mean	2.48	2.94	3.14
Median	2.00	3.00	3.00
Mode	2	4	4
Std. Deviation	1.176	1.129	1.278
Minimum	1	1	1
Maximum	5	5	5

From the data analyzed, the mean for the county government's ability to meet its budget targets was 2.94, the median was 3.00, the mode was 4, the standard deviation was 1.129, the maximum values was 5 with the minimum value being 1. On the other hand, the mean, median, mode standard deviation, minimum and maximum values for absorption of funds and meeting planned projects as per the annual development plan was (2.94, 3.00, 4, 1.129, 1, 5) and (3.14, 3.00, 4, 1.278, 1, 5) respectively. These findings show that the measure of service delivery is well distributed among the respondents.

4.4. Inferential Statistics

Inferential statistics was conducted using correlation analysis to test interrelationship between public finance management practices, capacity development and service delivery. The study used Pearson's correlation coefficient. In addition to this, simple regression analyses of each component of public management practice and service delivery was determined. Further to this, the moderated values was regressed against service delivery to establish the moderating effect.

4.4.1. Correlation Analysis

The bivariate correlation indicates the relationship that may exist between the variables. For this study the bivariate will be between public finance management practice, capacity development and service delivery. The range should be from 1 to -1 where 1 indicates a strong positive correlation and -1 indicates a strong negative correlation. For a correlation of zero (0) value, it means that there variables are not related in any way. As the correlation moves closer to one (1) it indicates a strong positive correlation whereas as it moves closer to negative -1 (one) it indicates a strong negative correlation. Pearson Product Moment correlation established the relationship between the variables under study namely; public finance management practice, capacity development and service delivery. The results of correlation analysis are indicated in the Table 4.11.

Table 4.11: Correlation Analysis Findings

Correlations						
Variables		Budgeting practice (X_1)	Internal control practice (X_2)	Resource mobilization practice (X_3)	Capacity Development (M)	Service delivery(Y)
Budgeting practice (X_1)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	116				
Internal control practice (X_2)	Pearson Correlation	.574**	1			
	Sig. (2-tailed)	.000				
	N	116	116			
Resource mobilization practice(X_3)	Pearson Correlation	.646**	.614**	1		
	Sig. (2-tailed)	.000	.000			
	N	116	116	116		
Capacity development(M)	Pearson Correlation	.535**	.446**	.696**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	116	116	116	116	
Service delivery(Y)	Pearson Correlation	.587**	.607**	.557**	.601**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	116	116	116	116	116

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

The Table 4.11 shows the correlation results for public management practices, capacity development and service delivery. The public finance management practices (X) was measured using budgeting practices(X_1), internal control practices(X_2) and resource mobilization practices (X_3). The total number of variables that were used were five (5). From the results analyzed the values for budgeting practice, internal control practice, resource mobilization practices and capacity development were (r= 0.587, r= 0.607, r= 0.557, r=0.601 respectively). The variables were all significantly related to service delivery.

4.4.2. Budgeting Practices and Service Delivery

The first objective of the study was to determine the relationship between budgeting practices and service delivery of County Governments in Nairobi Metropolitan Area in Kenya. In order to achieve this objective, a linear regression analysis was carried out between budgeting practice and service delivery and the results presented in Table 4.12

Table 4.12: Relationship between Budgeting practices and Service Delivery

Coefficients[a]							
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	
		B	Std. Error	Beta			
1	(Constant)	.579	.290		1.999	.048	
	Budgeting practice	.593	.077	.587	7.750	.000	
	R						.587[a]
	R-Squared						.345
	Adjusted R Squared						.339
	Std Error of Estimate						.736
	F-Sig						0.000

a. Dependent Variable: Service delivery

The analysis of the relationship between budgeting practices and service delivery, as detailed in Table 4.12, provides significant insights into how budgeting practices impact service delivery outcomes. The statistical findings show that the constant beta is 0.579 with a p-value of 0.048. This indicates that when budgeting practices are not considered, the baseline effect on service delivery is statistically significant. The beta coefficient for budgeting practices is 0.593, with a significance level of 0.000. This suggests that there was up to 0.593 unit increase in service delivery for each unit increase in budgeting practices. This positive and statistically significant beta coefficient suggests that improvements in budgeting practices are associated with enhanced service delivery. The resultant Equation is as follows:

SD = 0.579+0.593BP……………………………………………………………(Eq 4.1)

Where

SD: = Service Delivery (Dependent Variable)

BP: = Budgeting Practices (Independent Variable)

The correlation coefficient between budgeting practices and service delivery is 0.587, indicating a strong positive relationship. This implies that as budgeting practices improve, service delivery also improves. The R-squared value is 0.345, meaning that approximately 34.5% of the variance in service delivery can be explained by budgeting practices. This demonstrates a moderate but meaningful impact of budgeting practices on service delivery. The adjusted R-squared value is 0.339, which adjusts for the number of predictors in the model. This value is close to the R-squared value, reinforcing the robustness of the model. The overall p-value is 0.000, indicating that the model is statistically significant and that the relationship between budgeting practices and service delivery is not due to random chance.

These findings compare quite aptly with the findings of related studies. For instance, Cabannes' (2015) study found that participatory budgeting led to improvements in service delivery. The current study's findings align with this, reinforcing the idea that effective budgeting practices can enhance service delivery. However, the current study focuses on budgeting practices broadly rather than specifically on participatory budgeting. Scott & Enu-Kwesi (2018) using mixed-methods research in Ghana found a significant positive influence of budgeting practices on service delivery. This is consistent with the current study's findings, which also demonstrate a strong positive relationship between budgeting practices and service delivery. A similar study in Kenya Cheruyot, Namusonge, and Sakwa (2018) examined budgeting practices and their impact on the performance of county governments in Kenya. The positive relationship observed in their study supports the current findings, highlighting the importance of effective budgeting in improving service delivery. Mutya &Akumu's (2018) study in Tororo, Uganda, found similar results, indicating that budgeting practices are crucial for service delivery improvements. The consistency of findings across different contexts (Kenya, Uganda) and methodologies underscores the robustness of the relationship between budgeting practices and service delivery.

The research findings support the budget theory propositions. The theory emphasizes the importance of control mechanisms in budgeting to ensure that funds are spend as intended to achieve the desired outcome. The study findings shows that County government's strong budgetary controls and practices positively influences service delivery with R=0.587

4.4.3. Internal controls practices and service delivery

The second objective of this study sought to establish the relationship between internal control practices and service delivery in counties within the Nairobi Metropolitan Area, Kenya. A simple linear regression analysis was conducted to test if internal control practices significantly predicted service delivery outcomes. The results are presented in Table 4.13.

Table 4.13: Relationship between Internal Control Practices and Service Delivery

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.420	.295		1.422	.158
	Internal control practice	.776	.095	.607	8.146	.000
	R					0.602
	R-Squared					0.368
	Adjusted R-Squared					0.362
	F-Sig					0.000
	F Change (1,114)					66.353

Coefficients[a]

a. Dependent Variable: Service delivery

The results in Table 4.13 show that, the fitted regression model was: Service Delivery = 0.420 + 0.776*(internal control practices). The overall regression was statistically significant (R^2 = .368 F(1, 114) = 66.353, p < .000). It was found that internal controls significantly predicted service delivery (β = .776, p < .000). This finding suggests that there was up to 0.776 unit increase in service delivery for each unit increase in internal control practices. The second hypothesis stated that;

Ho_2: Internal Control Practices had no significant relationship with service delivery.

This hypothesis was therefore rejected as the study established that internal control practices significantly influenced service delivery. The R-squared value for the regression model is 0.368, indicating that 36.8% of the variance in service delivery can be explained by internal control practices while other factors not accounted by the model accounts for 63.2%. This suggests a substantial relationship between internal control practices and service delivery.

The overall regression model is significant with an F (1, 114) = 66.353 and a p-value less than 0.000. This implies that the model is a good fit for the data and that internal control practices significantly predict service delivery. The beta coefficient for internal control practices is 0.776, with a p-value less than 0.000. This finding shows that for every unit change in internal control practices, there is an increase of 0.776 in service delivery. This indicates a strong positive relationship between internal control practices and service delivery, suggesting that improvements in internal control practices are associated with better service delivery outcomes. This findings (R=0.607) agree with the agency theory which suggest that principals needs to establish strong internal control mechanisms to monitor agents action to align their behavior with organizational goals. The resultant equation for the model is as follows:

$SD = 0.420+0.776ICP$…………………………………………………………(Eq 4.2)

Where

SD: = Service Delivery (Dependent Variable)

ICS: = Internal Control Practices (Independent Variable)

These findings are related to the findings of other studies. Mwaura (2013) studied on financial accountability and performance of non-governmental organizations (NGOs) in Kenya found a positive correlation between financial accountability and financial performance. It is noted, however, that Mwaura's study was based on NGOs and correlated to performance. The findings of the current study therefore reinforce the idea that robust internal controls, which are part of financial accountability, positively correlates to performance, including service delivery in the public sector. Rafindadi & Olanrewaju (2019) in a study conducted in Nigeria examined how internal control systems affect goal attainment and sustainable management in NGOs. Using a descriptive survey and multi-stage sampling, the study found that internal control systems significantly affect sustainable management. The related studies in the extant literature focused mainly on private and non-governmental organizations. Therefore, this finding adds new evidence on the relationship between internal control practices and service delivery.

4.4.4. Resources mobilization practices and service delivery

The third objective of this study sought to determine the relationship between resource mobilization practices and service delivery in the County Governments of the Nairobi Metropolitan Area, Kenya. A simple linear regression analysis was conducted to test the hypothesis that resource mobilization practices have no significant relationship with service delivery. The results are presented in Table 4.14.

Table 4.14: Relationship between Resource mobilization practices and Service Delivery

Coefficients[a]							
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
		B	Std. Error	Beta			
1	(Constant)	.812	.281		2.891	.005	
	Resource mobilization practice	.519	.072	.557	7.166	.000	
	R						0.557
	R-Squared						0.311
	Adjusted R-Squared						0.304
	F-Change						51.345
	F-change Sig.						0.000

a. Dependent Variable: Service delivery

The results in Table 4.14 shows that the correlation coefficient between resource mobilization practices and service delivery is r=0.557, p<0.05). This indicates a strong positive relationship, suggesting that effective resource mobilization practices are associated with improved service delivery. The R-squared value is R^2=0.311, meaning that 31.1% of the variance in service delivery can be explained by resource mobilization practices. This shows that 68.9% of the variations in service delivery can be explained by other factors besides resource mobilization.

The adjusted R-squared value is 0.304, which adjusts for the number of predictors in the model. This value is close to the R-squared value, reinforcing the robustness of the model. The overall regression model is significant with an F (1, 115) = 51.345 and a p-value less than 0.000. This indicates that the model is a good fit for the data and that resource mobilization practices significantly predict service delivery. The resulting equation for the model is as follows:

SD = 0.812+0.519RMP……………………………………………………………(Eq 4.3)

Where

SD: = Service Delivery (Dependent Variable)

RMP: = Resource Mobilization Practices (Independent Variable)

The third hypothesis of the study indicated that:

Ho_3: Resource Mobilization practices had no significant relationship with service delivery.

From the findings of the study, this hypothesis was rejected as the study established that resource mobilization practices had significant positive relationship with service delivery. The beta coefficient for resource mobilization practices is 0.519, with a p-value less than 0.000. This suggests that there was up to 0. 519 unit increases in service delivery for each unit increase in internal control practices. This indicates a strong positive relationship between resource mobilization practices and service delivery, suggesting that improvements in resource mobilization practices are associated with better service delivery outcomes. Manda's (2016) study on resource mobilization, management, and service delivery in Zambian local authorities found that revenue collection was below seventy percent of the budgeted amount over an eight-year period, which negatively affected service delivery. This contrast with the current study's finding of a positive relationship, indicating that effective resource mobilization is crucial for achieving budgeted revenue targets and enhancing service delivery.

Optimal tax theory believes that effective resource mobilization is crucial for ensuring that county governments have funds necessary to deliver services such as healthcare, education, infrastructure and public safety. These findings support the theory proposition with R=0.557. Serchie, Kinyua, & Mwamba (2021) examined the effect of leadership style on resource mobilization in local NGOs in Ghana. While it found that leadership styles affect resource mobilization, it did not directly link resource mobilization to service delivery. However, the current study's findings suggest that effective resource mobilization, possibly influenced by leadership, positively impacts service delivery.

Scott's (2018) study on the role of budgeting practices in service delivery in Ghana's public sector found that revenue mobilization directly affects service delivery. This supports the current study's findings, emphasizing the importance of effective resource mobilization practices in enhancing service delivery. In another study, Kiambi, *et al.*, (2022) in their study on financial mobilization in Meru County government found a significant relationship between resource mobilization and service delivery. Birahim and Ahmadou (2020) in Senegal found that enhanced revenue collection significantly improved GDP growth. The positive relationship between revenue mobilization and economic performance supports the current study's findings on the importance of resource mobilization for service delivery.

4.4.5. Overall Model Results

In order to understand the combined effect of budgeting practices, internal control practices, and resource mobilization practices on service delivery in County Governments within the Nairobi Metropolitan Area, a multiple regression analysis was conducted. The dependent variable was service delivery, while the independent variables were budgeting practices, internal control practices, and resource mobilization practices. The results are contained in Table 4.15.

Table 4.15: Overall Coefficient Model Summary

Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound
1	(Constant)	.191	.305		.627	.532	-.796	.413
	Budgeting practice	.288	.096	.286	3.017	.003	.099	.478
	Internal control practice	.439	.117	.343	3.749	.000	.207	.671
	Resource mobilization practice	.151	.091	.162	1.652	.101	-.030	.332

Using the Multiple Regression Model, the findings indicated that collectively all the predictor variables (Resource mobilization practice, Internal control practice, Budgeting practice) collectively significantly contribute to variations in the dependent variable. The overall model is significantly useful in explaining service delivery in county governments in Nairobi metropolitan area.

Table 4.16: Overall Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.683[a]	.466	.452	.66996	.466	32.609	3	112	.000

The multiple regression analysis aimed to evaluate the combined effect of budgeting practices, internal control practices, and resource mobilization practices on service delivery in County Governments of the Nairobi Metropolitan Area. The analysis revealed a significant overall model fit, with a correlation coefficient (r) of 0.683, indicating a strong relationship between the predictors and the dependent variable.

The model's R-squared value was 0.466, which implies that 46.6% of the variance in service delivery can be explained by the three predictors combined. The adjusted R-squared value of 0.452 further confirms the robustness of the model after accounting for the number of predictors. The F-statistic for the overall model was F (3, 112) = 32.609, with a significance level (p-value) of 0.000, demonstrating that the model is statistically significant.

Table 4.17: Overall ANOVA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43.909	3	14.636	32.609	.000[b]
	Residual	50.270	112	.449		
	Total	94.179	115			

a. Dependent Variable: Service delivery
b. Predictors: (Constant), Resource mobilization practice, Internal control practice, Budgeting practice

From the ANOVA p=0.000 indicating that the data was ideal for making conclusions on the population’s parameter as the value of significance (p-value) was less than 5%. The F value was 32.609. The findings demonstrated that all the independent variables (Resource mobilization practice, Internal control practice, Budgeting practice) had a collective significant influence on sustainable organizational performance in service delivery (F=32.609 and p=.000). From the results, a significant relationship existed between public finance management practices (resource mobilization practice, internal control practice, budgeting practice) and service delivery.

4.4.6 Model Equation

Based on the beta coefficients from the multiple regression analysis, the model equation for predicting service delivery (Y) can be expressed as follows:

$Y=0.191+0.288X_1+0.439\ X_2\ +0.151\ X_3$

Where

X_1 =Budgeting Practices

X_2 = Internal Control Practices

X_3=Resource Mobilization Practices

The multiple regression model shows a significant relationship between the combination of budgeting practices, internal control practices, and resource mobilization practices with service delivery ($p = 0.000$).

The beta coefficient for budgeting practices is 0.288 ($p = 0.003$), indicating a significant positive relationship with service delivery. This means that for every unit increase in budgeting practices, service delivery improves by 0.288 units, holding other factors constant. The significant p-value (< 0.05) confirms that this relationship is statistically significant. This aligns with previous findings which emphasize the critical role of effective budgeting in enhancing service delivery.

The beta coefficient for internal control practices is 0.439 ($p = 0.000$), showing a strong positive and statistically significant relationship with service delivery. This implies that a one-unit improvement in internal control practices leads to a 0.439 unit increase in service delivery, controlling for other variables. The high significance ($p < 0.05$)

underscores the importance of robust internal controls in ensuring efficient and effective service delivery.

The beta coefficient for resource mobilization practices is 0.151 ($p = 0.101$), indicating a positive but not statistically significant relationship with service delivery at the 0.05 level. Although the positive beta suggests that better resource mobilization practices can improve service delivery, the higher p-value (> 0.05) means this finding is not statistically significant in this model. However, the direction of the relationship is consistent with prior studies that emphasize the role of resource mobilization in enhancing service delivery, even if it is not as strong as the other factors in this model.

The findings of this multiple regression analysis are consistent with previous research. Studies such as those by Scott (2018) and Cheruyot, Namusonge, and Sakwa (2018) have shown that effective budgeting practices positively impact service delivery. Mwaura (2013) and Ongunya & Abbey (2019) found that strong internal control systems significantly improve organizational performance and service delivery. While the current study found a positive but not statistically significant relationship between resource mobilization practices and service delivery, prior research by Manda (2016) and Kiambi, Walubaka, & Munene (2022) highlighted the importance of resource mobilization in enhancing service delivery, suggesting that this factor is still relevant, albeit with varying degrees of impact. The findings of this multiple regression analysis suggest that county governments should prioritize strengthening their budgeting and internal control practices to enhance service delivery. While resource mobilization practices are also important, their impact may be less direct or require additional factors to be effective.

The multiple regression analysis confirms that budgeting practices and internal control practices significantly contribute to service delivery in County Governments of the Nairobi Metropolitan Area. While resource mobilization practices show a positive relationship, their impact is not statistically significant in this model. These findings highlight the importance of integrated public financial management practices in improving service delivery outcomes, emphasizing the need for a holistic approach to financial management in county governments.

4.5. Moderating effect of Capacity Development on the Relationship between Finance Management Practices and Service Delivery

In order to establish the moderating effect of capacity development on the relationship between public finance management practices and service delivery, data on public finance management practices was analyzed before the moderator as presented in the previous sections and then regression analysis was done after the introduction of the moderator. The results for moderating effect of capacity development on the relationship between each of the specific independent variable and service delivery is presented in section 4.5.1-4.5.3.

4.5.1. Moderating effect of Capacity Development on the Relationship between Budgeting Practices and Service Delivery

The fourth objective of this study was to establish the moderating effect of capacity development on the relationship between various components of public financial management (PFM) practices namely, budgeting practices, internal control practices, and resource mobilization practices and service delivery in County Governments of the Nairobi Metropolitan Area, Kenya. To establish the moderating effect of capacity development on the relationship between budgeting practice and service delivery, data on budgeting practice was analyzed before the moderator, regression analysis was done for the moderator with service delivery and finally regression analysis was done after the introduction of the moderator to budgeting practice. The findings are presented in Table 4.16.

The results in Table 4.18 show that R-Squared before Moderation: R^2=0.345 and R-Squared after Moderation is 0.463 (both significant at 95%). This implies an R-Squared Change: 0.11 ($p < 0.05$). The R-squared value increased from 0.345 to 0.463 after including capacity development as a moderating variable, indicating that capacity development enhances the explanatory power of budgeting practices on service delivery. The significant R-squared change of 0.11 suggests that capacity development significantly moderates the relationship between budgeting practices and service delivery. The results are shown in Table 4.18.

Table 4.18: Moderating effect of Capacity Development on the Relationship between Budgeting Practice and Service Delivery

Variables	**Model 1**			**Model 2**			**Model 3**		
	B	***SE*b**	**B**	***B***	***SE*b**	**B**	***B***	***SE*b**	**B**
Constant	0.579**	0.290*	-	0.026	0.287		0.550	0.735	-
Step 1									
Budgeting practice (X_1)	0.593	0.077	0.587*	0.376	0.083	0.372	0.228	0.208	0.226
Step 2									
Constant									
Capacity Development (M)				0.384	0.078	0.402	0.186	0.268	0.194
Step 3									
Budget practices*Capacity Development (X_1*M)							0.054	0.069	0.316
R^2			0.345*			0.460			0.463
Adjusted R^2			0.339			0.451			0.449
Change in R^2			0.000			0.285			0.110
Model df)			1			1			1
Model sig.			0.000			0.000			0.000

The significance levels shown are one-tailed for hypothesis testing

*p<0.05;

4.5.2. Moderating effect of Capacity Development on the Relationship between Internal Control Practice and Service Delivery

To establish the moderating effect of capacity development on the relationship between internal control practice and service delivery, data on internal control practice was analyzed before the moderator, regression analysis was done for the moderator with service delivery and finally regression analysis was done after the introduction of the moderator to internal control practice.

The results presented in Table 4.19 shows that R-Squared before Moderation is 0.368 while R-Squared after Moderation: 0.511 hence an R-Squared Change is 0.143 ($p < 0.05$). The R-squared value increased from 0.368 to 0.511 after including capacity development as a moderating variable, indicating that capacity development significantly enhances the impact of internal control practices on service delivery. The substantial R-squared change of 0.143 supports the significance of this moderating effect.

Table 4.19: Moderating effect of Capacity Development on the Relationship between Internal Control Practices and Service Delivery

Variables	Model 1				Model 2				Model 3			
	Unstd. β	*SE*b	Stdzd β		Unstd. β	*SE*b	Stdzd β		Unstd. β	*SE*b	Stdzd β	
Constant	0.420**	0.295*	-		-0.259	0.289	-		0.736	0.885	-	
Step 1												
Internal Cntl practices (X_2)	0.776	0.095	0.607**		0.541	0.095	0.423		0.182	0.316	0.143	
Step 2												
Capacity development (M)					0.395	.071	0.413		0.088	0.268	0.092	
Step 3												
X_2*M									0.107	0.090	0.517	
R				0.607				0.710				0.715
R^2				0.368				0.504				0.511
Adjusted R^2				0.362				0.496				0.498
Change in R^2				0.000				0.136				0.143
Model Summary df				1				1				1
F value for model				0.000**				0.000*				0.000**

*Independent Variable: Internal Control practices: Dependent variable service delivery: N=114: Significance levels: *p< 0.05; *p<0.01*

4.5.3. Moderating effect of Capacity Development on the Relationship between Resource Mobilization Practice and Service Delivery

To establish the moderating effect of capacity development on the relationship between resource mobilization practice and service delivery, data on resource mobilization practice was analyzed before the moderator, regression analysis was done for the moderator with service delivery and finally regression analysis was done after the introduction of the moderator to internal control practice. The results are presented in the Table 4.20.

The results as presented in Table 4.18 shows that R-Squared before Moderation: 0.311 ($p<0.05$). When the potential moderator is introduced, the R-Squared becomes 0.405 ($p<0.05$). Therefore, the R-Squared Change is 0.094 ($p < 0.05$). The R-squared value increased from 0.311 to 0.405 after including capacity development as a moderating variable, suggesting that capacity development positively influences the relationship between resource mobilization practices and service delivery. The significant R-squared change of 0.09 highlights the importance of capacity development in this context.

The findings in table 4.18,4.19 and 4.20 supports the believe of capacity building theory which emphasizes the importance of organizational capacity building in achieving improved performance outcomes in public organizations.

Table 4.20: Moderating effect of Capacity Development on the relationship between Resource Mobilization Practices and Service Delivery

Variables	Model 1				Model 2				Model 3			
	Unstd. β	*SE*$_b$	Stdzd β		Unstd. β	*SE*$_b$	Stdzd β		Unstd. β	*SE*$_b$	Stdzd β	
Constant	0.812**	0.281*	-		0.428	0.280	-		1.232	0.777	-	
Step 1												
Resource Mobilization practices (X_3)	0.519	0.072	0.557**		0.251	0.095	0.269		0.010	0.237	0.010	
Step 2												
Capacity development (M)					0.396	0.097	0.414		0.133	0.256	0.139	
Step 3												
X_2*M									0.074	0.067	0.498	
R^2				0.311				0.399				0.405
Adjusted R^2				0.304				0.388				0.389
Change in R^2				0.000				0.088				0.094
Model Summary df				1				1				1
F value for model				0.000**				0.000*				0.000**

Independent Variable: Internal Control practices: Dependent variable service delivery: N=114: Significance levels: $^*p< 0.05$; $^*p<0.01$

4.6. Summary of Hypotheses Testing

Table 4.21 presents the summary of hypotheses testing.

Table 4.21 Summary of hypotheses Testing

S.No	Objective	Hypotheses	Finding	Conclusion
1	Relationship between Budgeting practices and Service Delivery	H01: There is no significant relationship between Budgeting practices and Service Delivery	*B*=0.579, r=.858 ($p<0.05$) Significant positive relationship	Ho1: Rejected
2	Relationship between Internal Control practices and Service Delivery	H02: There is no significant relationship between Internal Control practices and Service Delivery	*B*=0.420, r=.602 ($p<0.05$) Significant positive relationship	Ho2: Rejected
3	Relationship between Resource Mobilization practices and Service Delivery	H03: There is no relationship between Resource Mobilization practices and Service Delivery	*B*=0.812, r=.557 ($p<0.05$) Significant positive relationship	Ho3: Rejected
4	Moderating effect of Capacity Development on the relationship between public finance management practices and service delivery	H04(a): Capacity Development has no significant moderating effect on the relationship between Budgeting practices and Service Delivery	R^2-*Change* =0.110 ($p<0.05$) Significant Moderating effect	H04(a):Rejected
		H04(b): Capacity Development has no significant moderating effect on the relationship between Internal Control practices and Service Delivery	R^2-*Change* =0.143 ($p<0.05$) Significant Moderating effect	H04(b):Rejected
		H04(c): Capacity Development has no significant moderating effect on the relationship between Resource Mobilization practices and Service Delivery	R^2-*Change* =0.094 ($p<0.05$) Significant Moderating effect	H04(c):Rejected

4.7. Discussion of the Findings

The study found that budgeting practices have a significant positive relationship with service delivery in the County Governments of the Nairobi Metropolitan Area. The correlation coefficient (r) was 0.587, with an R-squared value of 0.345, indicating that 34.5% of the variance in service delivery can be explained by budgeting practices. The beta coefficient was 0.593, showing a strong positive effect. These results are in line with previous studies, such as those by Cabannes (2015) and Scott & Enu-Kwesi in Ghana, which also found that effective budgeting practices improve service delivery. The significant relationship highlights the importance of robust budgeting processes in enhancing the quality of services provided by county governments.

The findings from this study confirm the hypothesis that budgeting practices have a significant and positive relationship with service delivery. The significant beta coefficient, strong correlation, and substantial R-squared value all suggest that effective budgeting practices are crucial for enhancing service delivery. These results are consistent with previous research by Cheruyot *et al.*,(2018) and Akumu (2018) which collectively highlight the importance of budgeting practices in improving service outcomes. The evidence supports the notion that investing in and improving budgeting practices can lead to better service delivery, reinforcing the value of sound financial management in public administration.

The analysis showed that internal control practices significantly predict service delivery, with a correlation coefficient (r) of 0.607 and an R-squared value of 0.368. The beta value $\beta = 0.776$ ($p<0.05$) shows that increase in service delivery is positively related to increase in internal control practices. These findings are consistent with studies by Mwaura (2013) and Rafindadi & Olanrewaju (2019), which found positive correlations between internal controls and performance in various contexts. This emphasizes the critical role of strong internal control systems in ensuring efficient and effective service delivery in county governments. The findings from this study confirm that internal control practices have a significant and positive relationship with service delivery in the County Governments of the Nairobi Metropolitan Area, Kenya. The substantial beta coefficient and R-squared value indicate that robust internal controls are crucial for enhancing service delivery. These results are consistent with previous research, such as studies by Ongunya & Abbey (2019), Namujja (2020), Wangai & Mungai (2019), and partially with Aketch (2019). Collectively, these studies highlight the importance of effective internal control systems in ensuring accountability, transparency, and improved service delivery across various sectors and regions.

Resource mobilization practices were found to have a significant positive relationship with service delivery, with a correlation coefficient (r) of 0.557 and an R-squared value of 0.311. The beta coefficient was 0.519, indicating that increase in resource mobilization practices leads to an increase in service delivery. These findings are in line with previous research, such as studies by Manda (2016) and Kiambi, Walubaka, & Munene (2022), which highlighted the importance of resource mobilization in improving service delivery. The significant relationship underscores the necessity for county governments to develop effective resource mobilization strategies to enhance their service delivery capabilities.

The findings from this study confirm that resource mobilization practices have a significant and positive relationship with service delivery in the County Governments of the Nairobi Metropolitan Area, Kenya. The strong correlation, substantial R-squared value, and significant beta coefficient indicate that effective resource mobilization practices are crucial for enhancing service delivery. These results are consistent with previous research, such as studies by Manda (2016), Serchie, Kinyua, & Mwamba (2021), Scott (2018), Kiambi, Walubaka, & Munene (2022), Birahim and Ahmadou (2020), Musyoka (2014), Mwangi, Gakure, Arasa, and Waititu (2017), Wambui (2018), Mutua and Wamalwa (2017), and Kinoti and Kagiri (2016). Collectively, these studies highlight the importance of effective resource mobilization for improving service delivery across various sectors and regions.

The study found that capacity development significantly moderates the relationship between public financial management (PFM) practices and service delivery: Regarding budget practices, the R-squared value increased from 0.345 to 0.463, with an R-squared change of 0.11, indicating that capacity development enhances the impact of budgeting practices on service delivery. In relation to the moderating effect of capacity development on the relationship between internal control practices and service delivery, the R-squared value increased from 0.368 to 0.511, with an R-squared change of 0.143, showing that capacity development significantly strengthens the relationship between internal controls and service delivery. Finally, regarding Resource Mobilization Practices, the R-squared value increased from 0.311 to 0.405, with an R-squared change of 0.094, suggesting that capacity development positively influences the relationship between resource mobilization practices and service delivery.

These findings highlight the crucial role of capacity development in enhancing the effectiveness of PFM practices. By investing in capacity-building initiatives, county governments can significantly improve their service delivery outcomes. This is supported by related studies, such as those by Scott (2018) and Ongunya & Abbey (2019), which emphasize the importance of capacity development in improving public sector performance.

CHAPTER FIVE

SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter presents a comprehensive summary of the research findings, conclusions drawn from the analysis, and recommendations for future actions or studies.

5.1. Summary of the Findings

The overall objective of the study was to determine the relationship between public financial management practices, capacity development, and service delivery of County Governments in the Nairobi Metropolitan Area, Kenya. The study specifically aimed to establish the relationship between budgeting practices and service delivery, determine the relationship between internal controls practices and service delivery, and establish the relationship between resource mobilization practices and service delivery. Additionally, the study sought to assess the moderating effect of capacity development on the relationship between financial management practices and service delivery in the County Governments of the Nairobi Metropolitan Area.

5.1.1. Budgeting Practices and Service Delivery

In regard to the first objective of the study, the study revealed that budgeting practices had a significant positive relationship with service delivery, as evidenced by a correlation coefficient (r) of 0.587, a beta coefficient (β) of 0.593, and a p-value less than 0.05.

5.1.2. Internal Control Practices and Service delivery

Similarly, internal controls practices also demonstrated a significant positive relationship with service delivery, with a correlation coefficient (r) of 0.607, a beta coefficient (β) of 0.776, and a p-value less than 0.05.

5.1.3. Resource Mobilization Practices and Service delivery

Resource mobilization practices were found to have a significant positive relationship with service delivery, indicated by a correlation coefficient (r) of 0.557, a beta coefficient (β) of 0.311, and a p-value less than 0.05.

5.1.4. Moderating effect of Capacity Development and Service Delivery

Moreover, the study assessed the moderating effect of capacity development on the relationship between public financial management practices and service delivery. The results showed that capacity development had a significant positive moderating effect. Specifically, capacity development significantly moderated the relationship between budgeting practices and service delivery with an R-squared change of 0.11 ($p<0.05$), the relationship between internal controls practices and service delivery with an R-squared change of 0.143 ($p<0.05$), and the relationship between resource mobilization practices and service delivery with an R-squared change of 0.094 ($p<0.05$).

In summary, the study finds that public finance management practices selected for the study: budget practices, internal control practices and resource mobilization significantly predict service delivery in Nairobi Metropolitan Area as evidenced by significant positive relationship between the three independent variables and service delivery. Additionally, the relationship between the three variables and service delivery can be enhanced significantly by capacity development.

5.2. Conclusions of the Study

Based on the findings of this study, several key conclusions can be drawn regarding the relationship between public financial management practices, capacity development, and service delivery in the County Governments of the Nairobi Metropolitan Area, Kenya.

5.2.1. Budgeting Practices and Service Delivery

The study revealed a significant positive relationship between budgeting practices and service delivery. The correlation coefficient ($r=0.587$) and beta coefficient ($\beta=0.593$) indicate that effective budgeting practices contribute substantially to improved service delivery. This underscores the importance of sound budgeting practices in ensuring that resources are allocated efficiently and utilized effectively to meet the service delivery needs of the community. The findings demonstrate that effective budgeting practices including; robust budgetary controls, ensuring that projects are allocated the budgeted amounts, implementing internal control measures to monitor departmental budgets, and preparing realistic project budgets, contribute substantially to improved service delivery.

5.2.2. Internal Controls and Service Delivery

Internal controls practices were also found to have a significant positive relationship with service delivery, with a correlation coefficient ($r=0.607$; $p<0.05$) and a beta coefficient ($\beta=0.776$; $p<0.05$). This finding highlights the critical role of robust internal controls in enhancing accountability, transparency, and efficiency in the management of public resources. Specifically, the study identifies key indicators of internal control which includes; the continuous review of county expenditures by audit committees, the consistent implementation of county projects as planned, the use of automated internal accounting systems, incentives for reporting fraud, a comprehensive risk measurement and reporting framework, and the strict authorization of financial transactions by designated staff. Effective internal controls help prevent fraud, waste, and abuse, thereby ensuring that public funds are used for their intended purposes and improving overall service delivery.

5.2.3. Resource Mobilization Practices and Service Delivery

The relationship between resource mobilization practices and service delivery was found to be significantly positive, as indicated by a correlation coefficient ($r=0.557$) and a beta coefficient ($\beta=0.311$; $p<0.05$). This suggests that effective resource mobilization strategies, including the ability to generate and manage financial resources, are essential for supporting and sustaining service delivery. The findings demonstrate that effective resource mobilization, including optimizing own-source revenue, automating revenue collection processes, ensuring direct deposits of revenue to the appropriate accounts through electronic means, enforcing revenue compliance, and regularly reviewing financial plans, contributes to improved service delivery in county governments.

5.2.4. Moderating Effect of Capacity Development

Capacity development was found to have a significant positive moderating effect on the relationship between public financial management practices and service delivery. Specifically, capacity development significantly moderated the relationships between budgeting practices, internal controls, resource mobilization practices, and service delivery, with R-squared changes of 0.11, 0.143, and 0.094, respectively. This indicates that the enhancement of skills, knowledge, and competencies among public officials strengthens the impact of financial management practices on service delivery. Capacity development ensures that public officials are better equipped to implement effective financial management practices, thereby improving the quality and efficiency of service delivery.

In conclusion, the study demonstrates that effective public financial management practices, including budgeting, internal controls, and resource mobilization, are crucial for enhancing service delivery in the County Governments of the Nairobi Metropolitan Area. Additionally, capacity development plays a vital role in amplifying the positive effects of these financial management practices on service delivery. The findings highlight the need for continuous improvement and investment in financial management systems and capacity development programs to ensure sustainable and efficient service delivery. These insights provide a foundation for policymakers, administrators, and stakeholders to make informed decisions that will enhance public service delivery and promote good governance

This study makes several significant contributions to the field of public financial management, particularly in the context of county governments within the Nairobi Metropolitan Area, Kenya. The findings enrich the academic discourse by providing empirical evidence on the relationship between public financial management practices, capacity development, and service delivery. There was no prior study conducted on the study area correlating the selected public finance management practices and service delivery. Additionally, this study makes unique contribution as it integrates capacity development as a moderating variable which has hitherto not been studied. Therefore, the study advances theoretical frameworks in public financial management. It highlights how capacity development can enhance the impact of public finance management practices on service delivery, offering a nuanced understanding of these interactions. This theoretical insight can inform the development of more comprehensive models that account for capacity development in evaluating public financial management systems. The findings highlight the need for continuous improvement and investment in financial management systems and capacity development programs to ensure sustainable and efficient service delivery. These insights provide a foundation for policymakers, administrators, and stakeholders to make informed decisions that will enhance public service delivery and promote good governance.

5.3. Recommendations

Based on the conclusions drawn from this study, several key recommendations are proposed to enhance public financial management practices and service delivery in the County Governments of the Nairobi Metropolitan Area, Kenya.

5.3.1. Budgeting Practices Budgeting Practices

The conclusion that budgeting practices significantly impacts of service delivery leads to a number of recommendations. First, it is imperative that County governments should prioritize the implementation of comprehensive and participatory budgeting processes. Given the significant positive relationship between budgeting practices and service delivery, it is essential for counties governments to establish stringent budgetary control mechanisms to ensure that funds are managed efficiently and within the approved budget limits. It is crucial that all projects are allocated the exact amounts that were budgeted for to avoid underfunding or overfunding, which can hinder service delivery. County governments must adopt and enforce strong internal control measures to monitor budget implementation and prevent misuse or mismanagement of funds. Project budgets should be based on realistic cost estimates and should reflect the actual resource needs, avoiding either overly ambitious or conservative budgeting that could lead to inefficiencies in project execution. This can be achieved through stakeholder engagement, regular budget reviews, and the use of advanced budgeting tools and techniques. Training programs on effective budgeting practices should be provided to relevant personnel to enhance their skills and knowledge.

5.3.2. Internal Controls and Service Delivery

The strong positive relationship between internal controls and service delivery highlights the need for robust internal control systems. County governments should empower their audit committees to conduct frequent and thorough reviews of expenditure to ensure compliance and efficiency in the use of public funds. A focus should be placed on adhering to the original project plans, and any deviations should be managed proactively to avoid delays or inefficiencies in service delivery. Expanding and upgrading automated accounting systems can enhance the monitoring and tracking of project implementation, improving transparency and reducing the likelihood of errors or fraud. Institutionalizing a rewards system for individuals who detect and report fraud would incentivize vigilance and help safeguard public resources during project implementation. The county governments should continuously develop and update their risk measurement and reporting frameworks to identify potential risks early and manage them effectively. All financial transactions should be authorized only by designated and responsible staff, ensuring accountability and reducing the risk of unauthorized expenditures. Additionally, full adoption of technology, such as integrated financial management information systems (IFMIS), enhances the efficiency and effectiveness of internal controls.

5.3.3. Mobilization Practices and Service Delivery

The conclusion that resource mobilization practices are significantly positively related to service delivery leads to the recommendation that, there is need for development and implementation of effective resource mobilization strategies to ensure sustainable funding for service delivery. County governments should continue to adopt and enhance prudent practices for optimizing own-source revenue by exploring innovative revenue-generating mechanisms. Automation of revenue collection processes should be maintained and expanded to reduce errors, prevent fraud, and increase efficiency. County governments should ensure that all revenue collected is deposited directly into the appropriate accounts through secure electronic means, reducing the risk of revenue leakage. It is essential for county governments to ensure rigorous enforcement of revenue compliance policies, ensuring that all potential revenue is collected. The county government should regularly review and update their financial plans to align with changing economic conditions, ensuring efficient resource allocation for service delivery. Capacity-building initiatives aimed at improving the skills of officials in resource mobilization and financial management should also be prioritized.

5.3.4. Capacity Development and Service Delivery

Capacity development was found to have significant positive relationship with all the variables of public finance management practices under study. A number of recommendations can be drawn from this conclusion. First, it is recommended that county governments should implement comprehensive capacity development programs to enhance the skills and competencies of public officials. Since capacity development significantly enhances the impact of financial management practices on service delivery, County governments should invest in regular training and professional development programs for their staff. These programs should focus on key areas such as budgeting, internal controls, resource mobilization, and overall financial management. Partnerships with educational institutions and professional bodies can also be explored to provide specialized training and certification programs. Secondly**,** County Governments should foster a culture of continuous improvement and innovation in public financial management and service delivery. This is because continuous improvement and innovation are essential for adapting to changing circumstances and addressing emerging challenges. County governments should establish mechanisms for regular review and improvement of financial management practices.

5.4. Recommendations for Further Studies

While this study has provided significant insights into the relationship between public financial management practices, capacity development, and service delivery in County Governments of the Nairobi Metropolitan Area, Kenya, several areas warrant further investigation. The following recommendations for future research are proposed: First, there is need to explore additional factors beyond public financial management practices and capacity development that may impact service delivery. While this study focused on specific financial management practices and capacity development, other factors such as political stability, governance structures, exchequer issues and socio-economic conditions might also play crucial roles in service delivery. Future research could explore these additional variables to provide a more comprehensive understanding of the determinants of effective service delivery. Secondly, the findings of this study are specific to the Nairobi Metropolitan Area. Conducting similar studies in other regions and counties could provide valuable comparative insights. This would help in understanding regional variations and identifying best practices that can be adopted across different contexts. This study was based on a cross sectional correlational research design. Future studies can be conducted using longitudinal studies to assess the long-term effects of public financial management practices on service delivery. Longitudinal studies would allow researchers to track changes and trends over time, providing a deeper understanding of how public financial management practices evolve and their sustained impact on service delivery. This approach can also help identify the long-term benefits and potential challenges associated with specific financial management practices.

Additionally, public participation is a critical component of transparent and accountable governance. Future studies could explore how involving citizens in financial management processes impacts service delivery outcomes. This could include assessing the effectiveness of participatory budgeting initiatives and other mechanisms for public engagement in financial decision-making. Furthermore, future studies can evaluate the effectiveness of specific capacity development programs and initiatives in enhancing financial management skills and competencies.

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APPENDICES

Appendix I: Introduction Letter

CPA Aurelia C. Rono,
P.O Box 108-20402,
Longisa.

Dear Sir/Madam,

REF: REQUEST FOR YOUR PARTICIPATION IN RESEARCH STUDY

I am a Postgraduate student at the University of Kabianga, Registration Number PHD/BSA/0007/2021 in the Department of Accounting and Finance, pursuing a Doctor of Philosophy degree in Business Administration – Finance Option.As part of my research project, I am conducting a study on “Public Financial Management Practices, Capacity Development and Service Delivery of County Governments in Nairobi Metropolitan Area, Kenya”.

To gather the necessary data for my study, I have prepared a questionnaire that seeks to understand your experiences and perspectives on this topic. Your input is invaluable to the success of my research, and I kindly request your participation in completing the questionnaire.

Please be assured that the information you provide will be used solely for academic purposes. All responses will be treated with the utmost confidentiality, and no identifying information will be disclosed. The data collected will be anonymized to ensure your privacy is maintained throughout the research process.

I understand that your time is precious, and I greatly appreciate your willingness to contribute to this study. Your honest and sincere responses will significantly enhance the quality and reliability of my research findings.

Thank you in advance for your time and cooperation. Your participation is highly valued and greatly appreciated.

Yours Sincerely,

CPA Aurelia C Rono

Appendix II: Nacosti Permit

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NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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Date of Issue: **24/July/2024**

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Appendix III: Research Questionnaire

A research questionnaire on Public Finance Management Practices, Capacity Development and Service Delivery of County Governments in Nairobi Metropolitan Area, Kenya. This instrument has **SIX**sections, kindly fill with utmost sincerity.

Section A: Background Information

Kindly tick (√) the appropriate category in the column provided

1. Gender
   a) Male { }
   b) Female { }
2. Academic qualifications:
   a) Certificate { }
   b) Diploma { }
   b). Bachelors { }
   c). Post-Graduate { }
   e). others ……………………………………………….
3. Department category from the following,

Department	*tick (√)*	Department	*tick (√)*
Lands Housing Physical planning		Water and Environment	
Finance		Roads and public works	
Education		Executive office of the Governor	
Health		Trade and Industrialization	
Public service		Other (specify)………	

4. Length of service at the current station
   a) Less than 5 years { }
   b) 6 to 10 years { }
   c) Over 10 years { }

Section B: Budgeting Practices on Services Delivery

Below are statements on the relationship between budgeting practices and service delivery.

kindly tick (√) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
B1. County government utilizes CIDPand ADP as its main document in budgeting.					
B2. There are budgetary controls in my department					
B3. There is a project implementation team who does project appraisal continuously					
B4. The department budget is linked to a particular activity which aims at better service delivery					
B5. Projects are allocated what was budgeted for					
B6. There are internal control measures adopted to monitor budget at the department					
B7. The projects' budget is realistic					

Section C: Internal Control Practices on Services Delivery

Below are statements on the relationship between internal control practices and service delivery.

kindly tick (√) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
C1: The county government has an Audit Committee who continuously review the implementations of county expenditure					
C2: All county governments projects are implemented as planned					
C3: The county government have an automated internal accounting system used in monitoring the implementation of					

projects					
C4: Rewards are given out to individuals who detect and report fraud during the implementation of approved county projects					
C5: Physical audits as well as system audit are frequently done by external body or an independent government entity					
C6: The department has a risk measurement and reporting framework					
C7: All financial transactions are authorized by designated staff before they are actualized					
C8: The department has dedicated staff whose role is to do accounts reconciliations					

Section D: Resource Mobilization Practices and Services Delivery

Below are statements on the relationship between Resource mobilization practices and service delivery.

kindly tick (√) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
D1: My county government has adopted prudent ways to optimize own source revenues					
D2: Collection of own source revenue at the county government has been fully automated					
D3: Revenue collected are deposited directly to the relevant bank account at the source by use of mobile money or electronic means					
D4. The county government has adopted a revenue mobilization policy/ strategy/ framework					
D5. My department has put in place investment plan					
D6. My department ensures revenue compliance and enforcement					
D7. The county government review their financial plan on monthly, quarterly and yearly basis					

Section E: Capacity Development

Below are statements on capacity development.

kindly tick (√) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

Statement	1	2	3	4	5
E1: The staff in county government more so my department have adequate training on accounting skills					
E2: The staff in county government / this department have adequate auditing abilities					
E3: The staff in county government more so my department have adequate budgeting skills					
E4: The staff in county government more so my department have adequate procurement knowledge					
E5: County government annually does capacity development for the staff					
E6: Staff capacity development improve service delivery					

Section F: Service Delivery

Below are statements on Service Delivery.

kindly tick (√) the appropriate choice in the column provided on a scale of 1-5 where: [1]-strongly disagree, [2]-disagree, [3]-Undecided, [4]-Agree and [5]-Strongly agree.

F1: The county completes all the planned projects within the timelines					
F2: The county meets its budget targets					
F3: The county/department absorbs all the funds allocated in a financial year					
F4: The department meets its project completion rates targets yearly					
F5: The department meets its planned projects in the ADP					

Thank you for your response

Appendix IV: Map of Nairobi Metropolitan Area

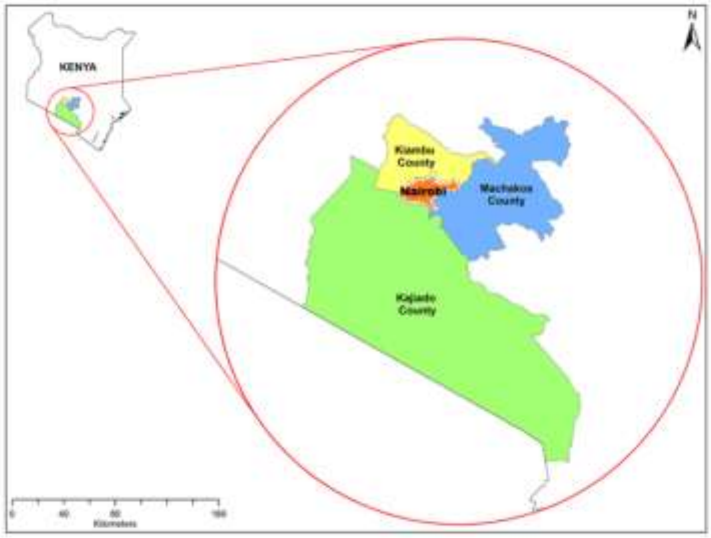

Fig. 4: Map of Nairobi Metropolitan area