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Relationship between financial distress management practices and performance of selected county governments in Kenya

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**RELATIONSHIP BETWEEN FINANCIAL DISTRESS MANAGEMENT
PRACTICES AND PERFORMANCE OF SELECTED COUNTY
GOVERNMENTS IN KENYA**

HILLARY KIPNGETICH BII

**A Thesis Submitted to the Board of Graduate Studies in Partial Fulfillment of the
Requirements for the Conferment of the Degree of Master of Business
Administration (Finance Option) of University of Kabianga**

UNIVERSITY OF KABIANGA

FEBRUARY, 2022

DECLARATION AND APPROVAL

Declaration

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

Signature: **Date**.....

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Approval

This thesis has been submitted for examination with our approval as the supervisor of the University

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DEDICATION

Special dedication goes to my wife Evaline Chelangat Bii for her encouragement and support. I also dedicate this thesis to my daughter Audrey Chepchumba for her humble time she accorded me during the entire process of my master's studies.

ACKNOWLEDGEMENT

First and foremost, I would like to take this special opportunity to appreciate my supervisors; Dr. Raymond Kemboi and Dr. Penina Langat for their tireless support they have granted me through the entire process. Secondly, I wish to acknowledge the effort and guidance I received from the school of business and economics as well as from board of graduate studies of University of Kabianga.

Thirdly, I appreciate the wonderful work of all the respondents who sincerely gave information that helped in data analysis. Was it not for their willingness to give information, the thesis could not be complete. Finally, my classmates become a pillar in time of need. All your encouragement contributed immensely to the success of my thesis. Thank you for standing with me.

ABSTRACT

The subject of financial distress on organization has become more important to stakeholders of organization as management of this situation can lead to either turn-around. County Governments experience financial distress in different forms such as difficulties in paying current liabilities and short term obligations such as paying salaries, suppliers and creditors in time. This makes the Counties to work on overdrafts which are expensive in terms of interests or rely on Central Government for financial bailouts and support. Counties have adopted several financial distress management practices but still there is limited knowledge on the relationship between financial planning, county governance and internal control practices and performance of Counties prompting the need to carry out this study. The specific objectives of the study were to establish the relationship between financial planning practices and performance of selected County Governments in Kenya, to examine the relationship between County Governance practices and performance of selected County Governments in Kenya and to examine the relationship between internal control practices and performance of selected County Governments in Kenya. The study was anchored on financial distress theory. Correlation survey research design was used and targeted County Executive Committee Members, financial officers, Chief Officers and County accountants from various departments in Kericho, Bomet and Narok Counties. The target population was 207 respondents. Yamane Taro's formula was used to determine a sample size of 136 respondents who were selected using stratified and random sampling technique. Primary and secondary data were used for the study where primary data were collected using questionnaires. Financial statements from County Offices were used for secondary data. Instrument validity was determined by use of the content experts and supervisors while instrument's reliability was determined by use Cronbach's alpha coefficient. Obtained data was analyzed using both descriptive and inferential statistical techniques and presented using graphs, charts, frequency tables and regression model. The study findings revealed that financial planning practices ($R=0.581$, $P<0.05$), internal control practices ($R=0.626$, $P<0.05$), and county governance practices ($R=0.484$, $P<0.05$) had statistical significant relationship with performance. This implies that the county government of Kericho should put more emphasize on county governance practices and county government regulatory in order to enhance financial performance. The study recommended that good budgeting and budget implementation practices should be put in place to help the county government to control, use and evaluate effective use of resources. The county government also should put in place periodic monitoring and evaluation programs this could allow the county to be effective and efficient in their service delivery. The findings may be of beneficial to County managements to turn around the financial fortunes of County Governments in dealing with their financial shortcomings. The study suggests further research to be conducted on other variables which might affect performance of county governments apart from the current variables which were under investigation.

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LIST OF ABBREVIATIONS AND ACRONYMS

CG	County Government
CGI	Corporate Governance Index
CoG	Chairman of Governors
DSBM	Dynamic Slacks Based Model
ECDE	Early Childhood Development Education
GDP	Gross Domestic Product
ROA	Return on Assets
ROE	Return on Equity
SPSS	Statistical Package for Social Sciences
T.A	Transitional Authority

DEFINITION OF TERMS

County governance practices	are principles, norms and policies that are applied in internal management of an institution (Fukuyama, 2014). In this study, county governance practices will refer to principles such as accountability, transparency, risk management and performance management that are applied by county governments.
Financial Distress	is a situation where institution is faced with challenges and difficulties in settling the financial requirements and responsibilities to the creditors because of high costs of fixed costs and illiquid assets that leads to low organization performance (Altman, 2013). According to this study, financial distress will mean, counties having difficulties or unable to meet their financial obligations in there running operations
Financial planning practices	are practices or sound financial decisions that help in attaining some particular goals or objectives in order to have profitable operations (Jain, Singh, and Yadav, 2013). In relation to this study, financial planning practices will mean financial distress management practices adopted by organizations in order to overcome financial distress.
Government Regulation	is a force of law, authorized by competent or superior Authority, concerning actions of anyone under control of the Authority (West's Encyclopedia of American Law, 2008). According to this study, government regulations are rules and laws governing a particular function and are set by a country.

Performance

is an act or a function execution (Kanwal, & Hameed, 2017).

According to the study, this term means the county outcome indicators on how they are offer service delivery to the public.

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter covers the background of the study, statement of the problem, research objectives, research hypothesis, and significance of the study, limitations and scope of the study.

1.2 Background of the Study

County Governments have the authority to offer services closer to people for easy accessibility. According to Nengwekhulu (2008), decentralization theorist postulates that all services meant for the public should be provided within a jurisdiction of minimal geographical coverage. They offer best health facilities, employment and boost the economy of the country. They also provide educational, cultural, political, commerce, research and management services (Magambo, 2004). In Kenya a new constitution was implemented in 2010 and it opened a new chapter of devolution. County Governments' devolution is self-directed when it comes to distinct functions in the implementation. Despite most countries having decentralization governance reforms, they have failed to reflect what they were intended to achieve. Reforms failure transpires in four key aspects that lead resource distribution hindrances. These aspects include personnel systems and management, capital investment and planning, fiscal and budget management, and lastly revenue and finances (Waikenda, 2020).

Financial distress refers to a situation where an organization cannot effectively meet its financial obligation on the process of its maturity or facing challenges as it grows.

Usually, the situation is influenced by cash flow insufficiency, profit breaches, market value decline and low business growth (Andrade & Kaplan, 2013). Lin, Ko and Blocher (2016) explored that failures in business leads to economic consequences that are enormous. Business failure is experienced immediately after uncertain periods and when a company's financial status is significantly affected by financial distress the financial distress of an organization normally leads to cash flow situations that is tight and where these firms cannot pay on time their owed amounts. If prolonged, the phenomena result in the organization owing into experiencing forced liquidation and bankruptcy. It is complexed on the basis that some banking institutions may deny to fund those firms undergoing serious financial distress (Altman, 2013).

When a firm is under financial distress, there is a deterioration of the operation conditions, increase in financial burdens, downward wage renegotiation and eventually realism of bankruptcy (Garlappi & Yan, 2011). However, taking appropriately the steps of management and effectively application of financial distress, the organization can resurge its' experience and recover (Wang & Shiu, 2014). According to Almeida and Philippon (2007), when a firm is under financial distress, the situation frequently sharply reduces its market value, suppliers of goods and services usually insist on cash on delivery terms, and large customer may cancel their orders in anticipation of not getting deliveries on time. This will therefore affect the operations and performance of organization adversely.

1.2.1 Financial distress management practices

Financial distress management practices are variables, economic indicators and determinants of financial distress which affects institution performance (Thorley, Perry &

Andes, 2012). Financial distresses hinder profitability of the firm either through direct or indirect costs. Indirect costs can be ascertained from accumulated debts and on the other hand direct costs are incurred from loss of market share, administrative costs and legal expenses. Due to financial distress, managers, stockholders, lenders, and employees are always concerned about the financial health of their firms. Job security for managers and employees is not assured should the firm struggle financially. Equity position of stockholders and claims for lenders are also not guaranteed (Brennan & Schwartz, 2014).

The government, as a regulator in a competitive market, has concerns about the consequences of financial distress for firms, and it controls capital adequacy through the regulatory capital requirement (Ming, 2016). This shared interest among managers, employees, investors, and the government creates frequent inquiries and recurrent attempts to answer a relentless question about how to determine financial distress, or what reveals the credit risk of firms.

A study by Wanke, Barros and Faria, (2015) on Brazilian banks and drivers of financial distress noted that high inefficiency levels in an organization can lead to distress situation. Inefficiency is measured on input against the output levels of employees in an organization. The study indicates that management needs to have plans in place that ensures organization policies; standards and guidelines on performance are followed in order to avoid slack in performance.

Manzaneque, Priego and Merino (2016) also carried out a study about impact of financial distress and corporate governance in state corporations in Spain. This study found that most organizations were facing financial distress leading to insolvency due to poor internal controls, transparency and corporate governance. It showed a positive

significance relationship existing between internal controls and state corporation financial performance.

According to Waikenda (2020) financial distress can be evaluated using these factors; firm size, transparency, accountability and operational efficiency of the county government. According to Alemu (2015), profitability is the situation where companies make returns by having high sales and investment in capital assets. In other words, profits are generated when revenues are more than a company's expenses. Profitability ratio is used to calculate level of returns of a company. Organizations develop business plans and strategies which are vital to organization which is under distress with a purpose of enhancing their profits for a turn-around opportunity (Anwar 2014).

Africa has had its share of financial distress according to studies carried out (Mohamed, Kerosi & Tirimba, 2016). For instance, a study by Tshitangano (2011) on financial distress models in the Johannesburg stock exchange, indicated that financial distress hinders organizational growth and most often led to loss of investor's confidence leading to difficulties in raising capital for further expansion. In Uganda, Sennoga (2008) investigated the relationship between revenues in local governments and service delivery. The study established that an increase of revenues in local government contributed to insignificant increase in expenditure of local government. This positively influenced the nature and quality of service delivery. Ntoiti (2014), assessed factors promoting local governments' financial distress in Kenya, the research indicated that human resources and corporate governance practices contributed greatly in determining the financial wellbeing of the local governments.

The financial distress management practices are management oriented and can be controlled as well if not fixed. They take a short period of time and resources to be implemented, (Karanja, 2014). Therefore, this study chose those practices which touched county management directly.

In Kenya, the County Governments have been faced with immense financial challenges since devolution. These challenges include poor financial management, inability to meet its local revenue targets, delay in release of equitable share of funds by the National Treasury, high recurrent costs among other challenge. Such challenges coupled with over-expectations from the residents who put pressure to the County governments and this pushes the county governments to struggle in delivering core mandates to the citizens (Ndalila, 2016). Therefore, this study will address the relationship between; financial planning practices, governance practices and internal control practices and the performance of county governments in Kenya.

1.2.2 County governments in Kenya

Devolution in Kenya came into place after the new constitution in 2010 promulgation after a successful referendum that created 47 county governments. The forty-seven (47) counties were given the mandate to establish close governance to the people as fronted by assumption the decentralization that avers every public entity needs to bring power and resources closer to the people in order to maximize on the benefits of devolution (Waikenda, 2020). The Constitution of Kenya, 2010 Fourth Schedule outlines the functions of both National Government and County Government. Functions such as Agriculture, County Roads, Health Services, Provision of Water, Early Childhood Development Education (ECDE), Polytechnics and Home Craft Centers among others

have been devolved to counties. Transitional Authority (T.A.) was created as a constitutional body and tasked with a responsibility of ensuring that over the medium term, there was a seamless transition of functions from National Government to County Governments. The basis is resources should follow functions and thus counties are allocated money from the National Exchequer and are also expected to collect local revenue in order to provide service to the people, (Kenya & National Council for Law Reporting).

Financial management in public institutions is concerned with ensuring that funds are available when required and that they are acquired and utilized in the most efficient and effective manner to the advantage of the citizens. In the modern world, managing the movement of funds in relation to the budget is essential for public institutions financial health. However, the Office of Controller of Budgets reveals that the financial planning practices of both national and county governments are usually dominated and weak due to scarcity of resources and an upsurge of development programs where funds are usually allocated. In the past two years, there has been a poor service delivery highlighted by insufficient public finance, poor controls from within the organization in the evaluation of low citizen index of satisfaction, long processes in procurement and finally payments delays (C.O.B, 2015)

Sustained financial distress could also put the County governments at the risk of being taken over as provided for in the Constitution of Kenya 2010 by the National Government. This will be a draw back on the gains already made on devolution and self-governance. Since the adoption of the devolved system of governance, County Governments have been faced with immense challenges related with efficient

management of financial resources. This has been due lack of efficient implementation of financial distress management practices, (CoG, 2019). These challenges influence efficient service delivery and performance of the County Governments.

1.3 Statement of the Problem

County governments should provide services effectively and efficiently since they are given the mandate and facilitations through exchequer funding to bring governance and services closer to the people. These services include infrastructure development, education, commerce and health services. However, County Governments' financial distress has been in existence in numerous forms. For example, county governments find it hard to sort their current liabilities which include short-term creditor obligation and salaries. For them to effectively meet their short-term obligations in finance, they must engage in overdrafts operations which attracts significantly high rate of interest. County governments cannot meet their liabilities especially long-term loans from banks. There are experiences of County Governments financial distress as a result of poor financial planning practices which may not only fail to satisfy their service obligations to citizens but also drain the public coffers by requiring drastic measures, which will imply forgone economic growth and development. County Governments have implemented various practices to manage financial distress. However, it is not clear how financial distress management practices that have been implemented have influenced the performance of counties in Kenya. Further, there is limited knowledge on the relationship between these financial distress management practices and performance of counties owing to limited studies. Hence this research intends to establish the relationship between management practices, financial distress and performance of county governments'. Specifically, the

study investigated the relationship between financial distress management practices and performance of Selected County Governments in Kenya.

1.4 General Objectives

The general objective of the research study was to establish the relationship between financial distress management practices and performance of selected County Governments in Kenya

1.5 Specific Objectives

The study was guided by the following Specific objectives;

- i. To establish the relationship between financial planning practices and performance of selected County Governments in Kenya.
- ii. To examine the relationship between County Governance practices and performance of selected County Governments in Kenya.
- iii. To examine the relationship between internal control practices and performance of selected County Governments in Kenya.

1.6 Research Hypothesis

In order to carry out the study effectively, the following hypothesis was used

- H₀₁** There is no statistical significant relationship between financial planning practices and performance of selected County Governments in Kenya.
- H₀₂** There is no statistical significant relationship between County Governance practices and performance of selected County Governments in Kenya.

H₀₃ There is no statistical significant relationship between internal control practices and performance of selected County Governments in Kenya.

1.7 Justification of the Study

County governments in Kenya are facing many challenges ranging from stalled projects, delayed in paying suppliers, delays in paying wages and salaries to workers and various financial challenges. These challenges are attributed to poor and inefficient management of public resources that are caused by weak or poor governance structures, weak internal controls, disregard to the rule of law and poor financial practices in the county governments that leads to poor and inefficient resources management and service delivery. The current study sought to examine the financial distress management practices that can help county governments in Kenya address the various issues affecting their service delivery due to inefficient resources.

1.8 Significance of the Study

Insufficient mechanisms for effective management in promoting the service delivery and ongoing concerns of the County Governments may be accountable for the challenge of financial distress which affects most Counties. The findings of this research project can be employed by the management of Counties to transform the county government financial fortunes.

The findings of this research may be adapted by the National Government since it may expose the challenges related to finance that impacts County Governments and that also affect service delivery negatively. Vision 2030 achievement is significantly and dependent on County government's performance. In conclusion, this research may inform

the National Government on the failures of financial management of County Governments. This may lead to sustainable development of institutions structures that have been devolved and vision 2030 achievement.

The findings of this research can be employed to spire policy making where County Government's resources management using precise motive of promoting the advocacy of financial challenges. Potential policy makers include Controller of Budgets, Auditor General, Parliament, the Senate and the County Assembly in their oversight role.

Further the study's findings may become useful to scholars by adding to the existing body of literature and knowledge. Therefore, learners of public management, finance, governance, information technology, law and human resource management can use the conclusion of this survey as potential and critical for broadening their studies and mind in this specific field.

However, the study findings make a contribution to the limited existing body of knowledge on the area of financial distress management practices and the performance of county governments.

1.9 Scope of the Study

This research intended to establish the relationship between financial distress management practices and County Governments performance selected in Kenya. This study specifically examined relationship between financial planning practices, County governance practices and internal control practices and the County Governments' performance. The county governments used in this study were purposively selected. The target population of this study comprised of 207 County Executive Committee Members,

Finance Officers, Chief Officers and County Accountants from various departments in Kericho, Bomet and Narok counties. The research was conducted between January and June 2021.

1.10 Limitations of the Study

This study specifically focused on selected County Governments thus the study findings generalized the outcome of all the Counties in Kenya.

1.11 Assumptions of the Study

The study was carried out on the assumption that County Governments in Kenya faces similar financial challenges hence the findings from the selected Counties acted as a case in other Counties. Secondly, questionnaires were employed in gathering raw data adopted to represent the study aims and hypothesis testing. The study assumed secondary data obtained from the three Counties under study was true. Finally, it was assumed that data that collected from the respondents gave a picture that was an indication of the state of affairs in the County Governments' performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section contains reviewed related literature, the theoretical framework, conceptual framework and the knowledge gap.

2.2 Theoretical Review

The theoretical review under this study consists of theories that fundamentally informed the numerous study variables.

2.2.1 Contingency theory

The theory was developed in 1986 by a scholar known as Pike. This theory explains different financial planning practices. It indicates the outcomes of ordinary investments history, competency of professional degree and the policy of capital budget control. On the other side, the contextual elements explain the reasons why accounting system differ from one institution to another. The explanation to this theory is that, firms have different accounting systems which give varying performance in terms of finance. To the argument of Pike (1986), financial planning practices need to consider various factors before allocating resources.

In relation to the study, this theory supports that organizations adopt different financial planning practices which tend to fit them. These differences are brought about because of external elements and corporate settings. In other words, financial planning practices have no universal standards set to be adopted by various organizations. Organizations can

choose appropriate financial planning practices that can suit them best in order to attain its main purpose or goal for its existence. Therefore, this theory will support the first study objective of financial planning practices in relation to selected County Governments.

2.2.2 Agency theory

This theory was developed by Jensen and Meckling (1976). It addresses the agency problem in which one party works towards representing another party. The party delegating the work to the other is called the principal and the other party that performs that work is known as the agent. An agency relationship arises once the actions of a person affect both his welfare as well as of the other person in an explicit or implicit contractual relationship. An agent is the individual who undertakes the actions while the principal is the person whose welfare is affected. If both parties are utility maximizers, then it's reasonable to believe the agent's action will not be based always on the best interest of the principal.

Agency theory was useful in elaborating the financial distress in financial institutions, for example, the theory may explain how the selfish actions of managers and directors (agents) have effect on the welfare of shareholders by engaging in unfavorable levels of leverage, operational inefficiency due to poor management skills, poor asset management controls and poor liquidity management controls. According to (Kloha, Weissert & Kleine, 2005) actions of management comprise the way they embezzle the funds of financial organizations and also how they may make non optimal decisions as for as use of financial and non-financial resources are concerned. This action eventually leads to

poor financial concert of organizations (Muthuva, 2016). The theory fits to this study because it is looking at how County Governance is an agent of the citizens to get better services at the county level. Therefore, there exist an agency relationship between county governance at county level, national government and the citizens.

2.2.3 Regulation theory

Regulation theory which is also referred to as regulation approach, originated from North America and Europe in the 1970s and popularized by Verso and Jessop (1976). This theory was meant to regulate and control functions of an institution so that it can serve best interest to the public. Public interests are observed when resources are allocated economically for the gain of the public but not individual interests. Developed countries, resources are significant to an extent where they are coordinated by a qualified and dedicated team. This can be demonstrated theoretically where resources are allocated optimally (Arrow, 1985).

In a situation where the financial practices are not followed when allocating resources, it calls for methods that can be adopted to improve for the allocation of resources because of un-optimal utilization of the scarce resources (Bator, 1958). For public organizations, government regulations can be used for attaining efficiency and effective allocation of resources.

Regulations set by the government on county governments have greatly contributed to financial distress because these regulations have led to coming up with parallel institutions. For example, constituency development fund, development committees and provincial administration have led to losing of focus on county governments on matters

related to development and devolution. This theory is important because it explains in detail how regulations in institutions are established and how they influence performance the organizations. The theory will be in line with the intervening variable that examines the influence of County Government Regulatory Framework on financial distress management practices and performance of county governments.

2.2.4 Financial distress theory

Financial distress theory was developed by Mueller (1986). The theory postulates that financial distress can be divided into: default, failure, insolvency, and deterioration of performance. Whereas deterioration and failure affect the productivity of the company, insolvency and default are rooted in its liquidity. Theoretically, the end results of every interval possibly can be positive, suggesting that the company halts the downward trend, or negative representing the continuing deterioration of the firm resources and a movement downwards from an individual sub-interval of the spiral to the other. In numerous real cases, during financial distress, the firm traverses all the phases of decline (Mueller, 1986).

Financial distress is presented by a sharp down performance of an organization and value (Opler & Titman, 1994). This part of the general process has two significant characteristics; moving downwards the spiral from one stage to another the sharp decline increases, whereas the span of each phase shortens sharply. Evidently, the decline of performance can remain for some times than the economic failure of the firm. The span of insolvency of the firm's debt depends on its maturity structure, while default depends on the maturity date followed by re-negotiation and liquidation; therefore, it's the least phase of financial distress.

The major challenge in financial distress involves the earlier recognition of adverse processes. Due to this challenge, the more questions are raised and the more the pressure to come up with measures that will curb financial distress (Opler *et al.*, 1994). The theory of financial distress may be beneficial in clarifying dependent variable that is, performance of County Governments in relation to financial distresses in Counties. This theory is linked to this study because if financial distress is not managed well, it will result in poor service delivery, public dissatisfaction and stalled or substandard projects in Counties.

2.3 Review of Related Literature

The study reviewed literature from past studies in journal and periodicals to examine the findings and establish the research gap for this study.

2.3.1 Financial planning practices and performance

Financial management is noted in both public and private sectors because it is significantly a substantial activity when it comes to sustainability and management of an institution. Defining financial management is usually based on institutional types and changes whether it is the government, a donor or the private sector. Financial management consists of both long term and short term management of financial. Short term involves managing items of the working capital which includes management of accounts receivable, inventory management, cash management among others (Aminu & Zainudin, 2015). Moreover, long-term management of financial refers to the management of financial that entails fundamentally every decision making which has an influence after one year or more than one year (Zietlow, Hankin, Seidner & O'Brien, 2018).

Ahmed, Nawaz, Usman, Shaukat and Ahmed (2010), notes that financial planning practices involve planning for the future of a business enterprise to ensure a positive cash flow. Financial management involves planning, organizing, directing and controlling the financial activities such as the procurement and the using up of funds of an enterprise. Therefore, from an institutional point of view, the process of financial management is associated with financial planning and financial control. Financial planning seeks to quantify various financial resources available and plan the size and timing of expenditures.

A study by Shuja and Abbasi (2015) sought to determine the impact of resource mobilization management practices on performance of banks continuity in Pakistan. Target population for the study involved the entire banks that were operating in Lahore where the study focused on all managers at different levels. Random sampling technique was utilized to acquire a sample size of 20 banks out of 160 banks. Primary data collection technique was adopted where questionnaires were used to gather information from the bank managers. Data was analyzed by use of descriptive statistics and inferential statistics with the aid of SPSS version 23 and presented in form of tabulated tables, figures and percentages. According to study findings, it was revealed that resource mobilization played a key role in implementing banks' continuity and management plans. In conclusion, resource mobilization had a positive significant effect on financial planning for banks continuity management practices. Therefore, this study will focus on financial resource mobilization and county government performance in Kenya.

Isaac, Lawal and Okoli (2015) carried a review on budgetary and budgeting control effectiveness in petroleum Cooperation in Nigeria. The study adopted survey research

design and the study targeted all top and middle level managers where quota sampling technique was used to come up with a sample size. Both primary and secondary data collection techniques were used where structured and semi structured questionnaires were administered to obtain primary data and Nigerian National Petroleum Cooperation files, financial statements and national dailies were adopted to obtain secondary data. Percentage statistics techniques were used to analyze data. The study indicated that involvement of stakeholders in budgetary and budgeting process was vital for the purpose gaining effectiveness. Further it was revealed that, implementation of the budget required the officers to be responsible and faithful. The study recommended that budgetary and budgeting control enhances efficiency management and thus improves institutions performance and all stakeholders need to be blended in budget preparation processes until the last stage of implementation because it fosters attaining of the goals of the institution. It is for this reason the study sought to determine the relationship between budgeting and budgetary practices and financial distress of county government in Kenya.

A study by Mohamed Kerosi and Tirimba (2016) sought to determine the effect of budgetary control on Banks performance, a case of Dar-Salaam Bank. The study was based on both retrospective and descriptive research design where target population was 70 employees working in the bank. Census sampling technique was adopted because the number of employees in the bank was small and therefore all the 70 employees were used as respondents' for the study. Data was collected by use of both primary and secondary methods and data was analyzed by the aid of Statistical Package for Social Sciences and presented in form of charts, frequency and tables. The study revealed that Zero Based Budgeting and accounting improved control of budget and efficiency of banks. It was

also noted that Variance cost analysis influenced decision making hence increase to banks performance. In conclusion, it was recommended that employee need to be taken for trainings in order to equip themselves with knowledge on budgetary control methods for wise decision making that will lead to improved performance due to efficiency. The study focused on the effect of budget control on banks, but this study will tend to address the relationship between Budgeting and budget implementation and financial distress of county governments in Kenya.

Mukaba (2016) did a study on the relationship between disclosure of financial statements and manufacturing companies' financial distress in Kenya. The study adopted Correlational research design where a target population of 9 companies which were listed in Nairobi Stock Exchange was used and census survey sampling technique was used to pick all the companies to be a sample size for the study. Secondary data collection method was used where the study relied on document check index instrument for data collection. Descriptive and inferential statistics were used to analyze data with the aid of SPSS and Microsoft excels and data was presented in form of tables and graphs. The study findings revealed there exist a positive and significant relation between financial and non-financial disclosure and manufacturing firms' financial distress. The study recommended organizations to disclose or present financial reports voluntarily for it will reduce the chances of being financially distressed. Therefore, because the study focused on manufacturing firms, there was a need to do a study on the same and focus mainly on financial distress in county governments in Kenya.

2.3.2 County governance practices and performance

Sanda, Mikailu and Garba (2005) argued that mechanisms of governance deals with ways of ensuring insides and mangers integrate safe mechanism to overlook the stakeholders' interest by different interested parties in the firm

A study was carried out by Manzanegue *et al.*, (2016) about the impact of financial distress likelihood and the corporate governance in state corporations in Spain. The researcher targeted listed companies in Spain and conducted an empirical research between 2007 and 2012 through the application of a matched-pairs survey design involving a total of 308 observations. Half of the targeted firms had been classified as distressed and non-distressed. The researcher employed several conditional logistic models to establish the relationships of variables under study such as accountability and transparency. The research results indicated accountability and transparency from the management contributed to improved financial performance of an organization. The researcher suggested that management should be transparent and account for all financial and non-financial resources accessed by the organizations. The study was done in a developed country and there was need also need to carry out similar in a developing country. This study will focus on the county governance practices of accountability.

Another study conducted in Egypt by Shahwan, (2015) sought to evaluate the quality of practices of corporate governance in Egyptian-selected companies and their effects on firm financial distress and performance in relation to the emerging market like Egypt, the scholar employed corporate governance index (CGI) integrating four dimensions: transparency and disclosure, board of directors composition, shareholders' rights and investor ownership and relationship and control structure to perform the survey. The

study used a sample of 86 non-financial firms listed on the Egyptian stock exchange. Tobin's Q was used to assess corporate performance and Altman Z-score employed as a indicator of financial distress, measured financial distress inversely. The larger the Z score, the smaller the financial distress risks. Findings from the study revealed that the overall score of the CGI indicated that the quality of CG practices within Egyptian-listed firms was relatively low and hence the results did not establish any positive relationship between CG practices and financial performance. In addition, the survey revealed a relationship that was significantly negative between financial distress likelihood and CG practices. This implies that the characteristics specific to an organization could be important as a first-pass screen in determining firm performance and the financial distress likelihood.

Ndibe, Abdulazeez and Mercy (2016) did a study on the effect of corporate governance of financial performance of listed financial institutions in Nigeria. The secondary data of the research was sourced from listed institutions annual reports. Regression analysis was performed on the data revealed that larger board size contributes positively and significantly to the financial performance of deposit money banks in Nigeria. There may be cross boarder differences between the two countries and this justified the need to carry out similar study in Kenya.

Abdulahi (2017) researched on effects of CG on firm's financial distress quoted at the NSE. The study used the firms listed in the NSE as the target population. Descriptive research design was used in the study where data was analyzed using ordinary least square regression model. Altman Z score model was also employed to test the score of financial distress among the listed firms. The study found that management

concentration, net profit and board members who are non-executive had a negative and statistical effect on financial distress while board size had a significant positive effect on financial distress. Capital structure and board diversity showed significant but insignificant effect on firms listed. The study by Abdulahi (2017) used descriptive research design but this study will use Correlational survey design.

Studies examining the influence of CG and financial performance of organizations have yielded mixed result. Some indicating a significant relationship between the variables while in others a negative or moderate relationship. This study unveiled the relationship existing between county governance practices and performance. From the literature reviewed, most studies were conducted in listed companies and therefore, this study focused on county governments in Kenya.

2.3.3 Internal control practices and performance

Internal control practices are measures set by an institution in aid to achieve or attain their goals, missions and objectives (Brennan & Solomon, 2008). According to Onyango (2014), asserts that this are formulated policies and procedures which are meant to safeguard the firm's assets, comply with the laws and regulations set by a firm, foster a reliable reporting in order to achieve efficient and effective running of the operations. Internal control practices also do relate to communication processes within and without the organization, and it includes the procedures used in handling the funds coming in, conducting internal audit and keeping inventory record.

To develop the association between financial performance and internal control practices, Al-Thuneibat, Al-Rehaily and Basodan, (2015) conducted a study on profitability of

Saudi shareholding firms on the impact of internal control requirements. The main focus of the study was to ascertain compliance levels of the shareholding firms to the need of internal controls as stipulated and its effect on profitability of the firms. Earnings per share, to measure financial performance, return on assets and return on equity were used. Primary data was collected by use of questionnaires to measure compliance. T-test and multiple regressions were carried out to test the hypothesis. It was established that all the aspects of internal control affected compliance. Specifically, it was established that the ROA and ROE components of internal control had a positive important relationship with compliance while EPS had affirmative relationship but statistically insignificant relationship. The implication of this study is that corporate managers and management should assess the efficiency of internal control practices, more importantly those that are directly related with monitoring, evaluation, information, communication and control environment.

In Nigeria, Ejoh and Ejom, (2014) examined the impact of internal control practices on tertiary institutions about its financial performance. This study's specifically required to find out how the tertiary institutions used internal control systems. They used survey research design and data collection was done by use of structured questionnaires from respondents who were identified through stratified sampling technique. Descriptive statistics were done and presented using frequency tables and charts while regression and correlation analysis was done for inferential statistics for inferential statistics to establish the association between the study variables. The findings established that there was a clear separation of the finance and accounting roles in the institution. It was also established that the superior officers in the institution frequently supervised the work

done by their junior staff. The institutions financial statements were also annually audited by external auditors. In conclusion, the study established a positive association in performance of the institution and internal controls. This study having been done on tertiary institutions, there was necessity of current study to examine the influence of internal controls on county governments

Nyakundi, Nyamita and Tinega, (2014) carried out a study examining how financial of small and medium scale enterprises is influence by internal control systems on based in Kisumu county. The key focus of the research was to establish the reason as to why many SMEs in the city were performing poorly even after the government had committed itself in providing funds. This study adopted both qualitative and quantitative approach employing a cross-sectional survey design. Stratified and use of random sampling technique to examine the sample size for the research. Primary data was gathered by use of questionnaires while secondary data gotten from the SMEs financial records. Both descriptive statistics and inferential statistics were employed to analyze data. It was established from the results that internal control systems influenced performance of the SMEs. It was therefore recommended that proprietors on the SMEs ought to be experienced on the importance of efficient internal control systems. These study finding are important in this study as they establish a positive association between financial performance and internal controls of SMEs, however a similar study was necessary to establish if the same relationship exists with performance of the county governments hence the motivation for this study.

Ahmed and Nganga (2019) sought to determine the impact of internal control practices on county governments' financial performance in coast region, Kenya. The study fused

on the impact of cash management, audit functions and risk management on county government financial performance. This study was based on procedural theory, agency theory and attribution theory. The study used descriptive research design taking a target population of 30 workers from 5 departments within finance, budget and planning ministries. This study adopted census survey where 40 respondents were picked and self-administered questionnaires were used to collect data. Descriptive and inferential statistics were used to analyze the data collected. From the findings, it was revealed that cash management, audit functions and risk management had a positive and significant relationship with county financial predominance. This study failed to look at other internal financial practices such as monitoring and evaluation, information and communication and control activities and therefore the current study will seek to analyze the relationship existing between the variables and financial distress on county government performance.

2.3.4 County government regulatory framework and performance

Government policies and Regulations are administrative legislations that constitute allocate responsibilities and rights. It can be differentiated from judicial decisions on the one hand (Harris & Carnes, 2011) and primary legislation (by Parliament or elected legislative body) on the other hand. Government policies include all the regulations and legislations that should be implemented by public entities in their day to day running of business for example integrated financial information systems, Public finance management act, county physical strategy paper and county integrated development plan

Various studies have been conducted globally with an aim of establishing a link between adherence to government policies and their impact in organizational performance. For instance, In Brazil, a study was carried out by Wanke *et al.*, (2015) in Brazilian banks on financial distress motives. The researchers used the Dynamic Slacks Based Model (DSBM) established by Tone and Tsutsui (2010) as to assess the development of input saving/output cumulating potentials in main Brazilian Banks as from 1996 to 2011. The key objective of the research was to inspect whether different attributes of size and mergers, bank type, acquisitions and relation to ownership had any relationship with inefficiency level (input/ output decreasing potential) which may have later escalated to financial distress. Using a balanced model, and secondary data from the institutions, the findings established that higher inefficiency levels in national and small public banks were due to financial distress. The study concluded that policy and regulations should be addressed adequately to improve performance.

Another study was conducted by Idris, Krishnan, and Azmi, (2017) examining the association between levels of financial management financial distress and literacy among Malaysian youth enterprise where quantitative research approach was adopted for the study and Questionnaires were collected to determine financial distress of 430 youths and their levels of financial literacy. The findings indicated that the financial literacy and the levels financial distress of respondents were moderate. The research also indicated that there was a positive but weak relationship between financial literacy and level of financial distress. The influence of the research indicates the facts that the company concerned would do well to capitalize in human resources, in particular, in respective to financial management act for the county governments and individual financial

management skills for workers as such information investment would help increase the level of financial knowledge between workforces and attain the of high productivity purposes of the organizations. The study was done in Malaysia which has a higher GDP of \$365.303 while Kenya has a GDP of \$99.246b (CBK, 2019). Therefore, the research findings may not be generalized to developing countries.

Boex and Muga (2009) carried out another study to examine the causes of quality monetary management in Tanzania's Local Authorities and decided that positive and negative impacts on the Local Authorities' financial performance, government regulation can have them both. A study by Capalbo, Grossi, Ianni and Sargiacomo (2010) tried to examine the nature of financial distress and settled that poor legislation and bureaucracy are major causes of financial distress in Local Authorities in Italians Local governments.

Additionally, another research was conducted in Kenya by Ntoiti, Roselyn, and Waititu, (2017) that sought to examine the contributions of government regulations on financial distress facing Kenya's local authorities. The study adopted a descriptive research design and a target population of 175 local authorities in the country, 5 local authorities was selected through stratified random sampling technique. A semi structured research questionnaire was used to collect primary data from the local authority offices and customers who visited the offices. Data for the study was analyzed descriptively and inferentially. The findings of the study revealed that local authority's regulations were weak, ineffective and unfair. The study also established that inadequate internal controls and legislations contributed to financial distress in the local governments. The study used descriptive research design with area of study being local authorities. This study used correlation survey with the area study being selected county governments.

2.3.5 Performance of county governments

The term performance refers to accomplishing a given task assigned and of which is measured against some set standards of completeness, accuracy, speed and cost, (Hervie, 2016). According to Klapper and Love (2014) assert performance is the inclusivity of efficient processes, organization sustainability, customer and stockholders' satisfaction, organizational capacity and market increase. County government performance can be measured using various parameters among them include; Efficient service delivery to the citizens, accomplishment of projects, providing services to the public that satisfy them and lastly county government meeting all the financial obligation

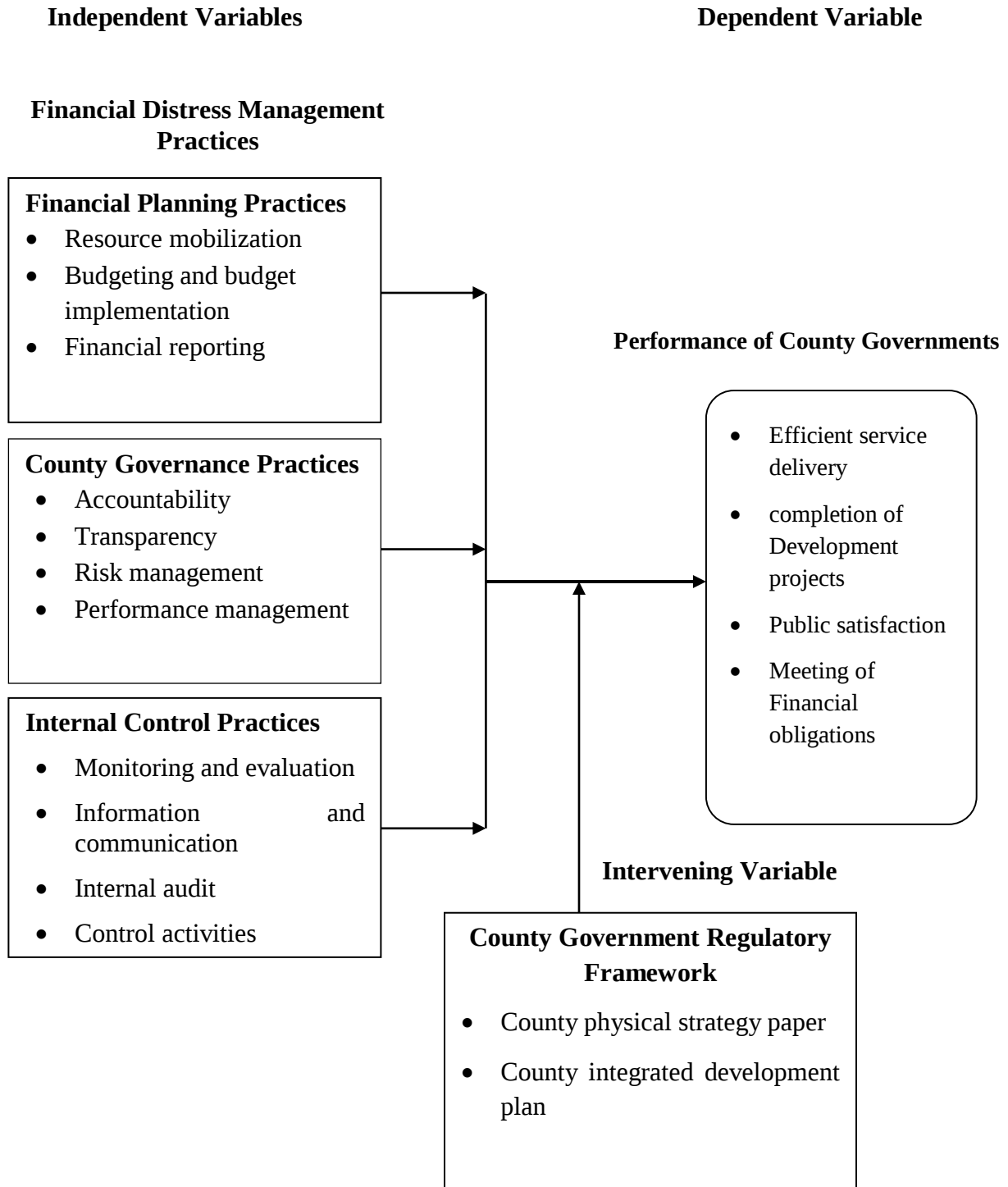
In Australia, local governments have come up with policies which are meant to elevate financial distresses like structural reforms which can be internal reforms. There is increase in borrowing by local government such as fixed interest bond issues, fiscal transfer which come from the central government to local governments, introduction of additional revenues collections for example environmental taxes, and lastly relaxing rate capping regulations (Dollery, 2009).

Fjelstad *et al.*, (2004) analyzed changes in local authorities in Tanzania due to financial distress in relation to local government governance. The outcome of the study indicated, local governments which were ran and operated with proper financial management practices and government regulations posted a positive improvement in terms of resources utilizations, improvement of infrastructure and good service delivery to the public and some local authorities were financially stable.

For the case of Kenya, government agencies have been faced with financial distress. Corruptions, embezzlement of funds and poor financial planning have been seen to be the main reasons why most public corporations are performing poorly (Njuguna, 2010). But the new constitution dispensation has come up with regulations, policies and strategies which are aimed at protecting the public funds, accountability, transparency and people with personal interests (Ntoiti, 2014).

2.4 Conceptual Framework

Financial planning practices, CG practices and government regulations are applied as research independent variables while performance of county government will be the dependent variable which will be measured by efficient service delivery, public satisfaction and completion of development projects.



Source: Researcher (2021)

Figure 1.1 Conceptual Framework

County government performance was determined by financial planning practices, county governance practices and internal control practices. The financial planning practices assist county governments both in short and long term management of county governments finances. When there are proper financial planning practices in place, then the county government will be in a position to have financial resources available for efficient and effective service delivery to the citizens hence leading to good county government performance.

County governance practices ensure that all the stakeholders' interests are catered for. This will advocate for accountability and transparency from the county management contributing to improved financial performance of the county government. Good county governance in the county will lead to completion of development of projects on time as well as having quality of work done.

Internal control practices can be referred to as a measure by the county government put in place to attain their goals, missions and objectives. Internal control practices ensure county government's reliable reporting in order to achieve efficient and effective running of the operations. Proper and well internal control practices put in place by county government ensures that financial obligations are meant by county government which leads public satisfaction.

2.5 Identification of Knowledge Gap

In the last few decades, numerous studies have examined financial distress and management of financial distress practices in organizations. The outcome of this studies have elicited mixed findings and hence the need to carry out more studies. For instance,

the findings on the relationship existing between county governments' performance and financial planning practices, the studies differed in research design, methodology and scope prompting different findings. Shuja and Abbasi (2015), and Aminu and Mohamed Kerosi and Tirimba (2016) carried their studies mainly focusing on banks. It is on this case; this study will focus on county governments in Kenya. The study reviewed indicated that some of the studies carried out relied on secondary data collection technique. For instance, studies by Shuja and Abbasi (2015), and Mukaba (2016). Hence there is need to carry out a study on county governments using both primary and secondary data.

On County Governance Practices and financial Performance, a study by Shahwan, (2015), Ndibe, Abdulazeez and Mercy (2016), and Abdulahi (2017) mainly focused on companies listed in stock exchange and some of the study adopted descriptive research design such as a study by Abdulahi (2017). The current study will employ correlation research design and county governments in Kenya will be the scope of the study. It is also evident that the studies used descriptive and survey research design.

Finally, on internal control practices and financial performance, a study by Al-Thuneibat, Al-Rehaily and Basodan, (2015) focused on share holding companies while the current study focuses on the county governments in Kenya. A study Ejoh and Ejom, (2014) employed a descriptive research design and was done on tertiary institutions; the current study is necessary to evaluate the influence of county governments' internal controls and will use Correlational research design. Finally, a study by Nyakundi, Nyamita and Tinega, (2014) used a cross-sectional survey design and the proposed study will adopt Correlational research design. From literature, it is evident that research in the area of

financial distress and its management in organizations have been done but not in a comprehensive approach. Different research designs and methodology have been adopted leading to inconsistent results on the relationship on the research variables. Therefore, it is important to carry out further research in this area to fill the identified knowledge gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design, target population, location of the study, sampling procedure, data collection instruments and procedure, data analysis, and ethical consideration

3.2 Research Design

A research design is appropriate in any research study because it allows the researcher to create a hypothetical relationship between existing theories and the study research variables in order to make a deductive reasoning in regards to the problem under study. This research will adopt a correlation survey research design. This research design is used to collect information and establish the relationship and the nature of relationship between different variables under study, (De Vaus, 2013). The design is also deemed appropriate because it helps to describe the state of affairs of issues under investigation. It will provide the basis of gathering data in order to investigate the financial distress management techniques and their effect on County Government performance of selected County Governments.

3.3 Location of the Study

The research was conducted in Kericho, Bomet and Narok. These Counties were selected for the study because of similar financial planning practices and geographic variables. The Counties are majorly known for large scale farming simply because of favorable

climate condition. From the auditor's reports, the selected Counties also faced financial distress previously.

3.4 Target Population

A target population refers to an entire group of individuals, events or objects having a common observable characteristic (Kothari, 2019). The study targeted all members of County Executive Committee, Finance Officers, Chief Officers and County Accountants from various departments in Kericho, Bomet and Narok counties. The target population was 207.

Table 3.1

Target Population

County Department	Target population
County executive committee	39
Finance officers	39
Chief officers	51
Accountants	78
Total	207

Source: Kericho, Bomet and Narok County Government Records, (2021)

3.5 Sample Size and Sampling Procedures

The researcher adopted stratified sampling method to arrive at a sample that was used to study the entire population. Specific sections of departments within the County Government were identified as strata. These sections were relevant to the study because it is assumed that they possess the required data that assisted in responding to the research questions. The population for this study was considered to be finite and statistical formula application becomes imperative for coming up with a sample size.

Yamane Taro's formula was used to determine the size of sample. This is because the formula assumes a normal distribution. This formula is given as

$$n = \frac{N}{1 + Ne^2} \dots\dots\dots(i)$$

Where, n is the size of sample, N is the targeted population and e is the precision level or error margin.

Therefore,

$$207 / 1 + 207 (0.05)^2$$

n = 136 respondents.

This was distributed proportionately among the various sections in the departments as indicated in table 3.2.

Table 3.2

Sample Frame

County Department	Target population	Sample Size
County Executive Committee Members	39	26
Financial Officers	39	26
Chief Officers	51	33
Accountants	78	51
Total	207	136

Source: Research Data, (2021)

3.6 Data Collection Instruments

Both raw and secondary data collection methods were employed. Questionnaire was employed to collect Primary data and Secondary data was obtained from County Financial Statements (balance sheets and income statements) of Kericho County, Bomet County and Narok County for a three-year period 2016 to 2019. Structured questionnaire was closed-ended; this enabled the respondent to collect data that can be quantified to produce both descriptive and inferential statistics. The questionnaire used likert scale where the respondents were asked to rate how much they agreed with the statement in the questionnaire by giving it arbitrary values ranging from 1 to 5, where 5= Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 =Strongly Disagree.

3.6.1 Validity of the instrument

Validity shows a distinct representation of measuring items considered for measurement, (Mugenda and Mugenda 2003). It explores the evaluation to make sure all the questions of the research are answered by the instrument (Kothari, 2019). Subject expert judgment was used to support validity content of this research; the researcher held a discussion related to the content and the format of the questionnaire with the supervisors, and experts' prior data collection. This promotes clear responses and unclear components in the questionnaire are eliminated or corrected through carrying out a pilot study.

3.6.2 Reliability of the instrument

Oso and Onen, (2008) defines reliability of an instrument as its ability to generate consistent results each time that it is used on a similar task. The instrument's reliability was determined by use cronbach's alpha coefficient. The study conducted a pilot study in Nyamira County where 13 questionnaires (which is 10% of the sample size) was issued randomly to the respondents from different sections. Pilot study helped in reviewing the research instrument and prevents wasteful expenditure on a full blown research whose outcome may not be applied. According to Bujang and Omar (2018), any coefficient of equal or greater than 0.7 in the results indicates that the instrument is reliable and fit for use. The study established a Cronbach coefficient 0.8652 which was considered sufficient for the study. A Cronbach's alpha tool was ideal in examining reliability of the instrument for this study because it is the commonly used tool for measuring internal consistence in social research.

3.7 Data Collection Procedures

Once the researcher had carefully designed the data collection instruments, the researcher administered the instruments to willing respondents who turned up for the exercise and asked them to appropriately fill the questionnaires by answering the questions asked therein by following the instructions provided under each section. The researcher got back to collect the questionnaire from the respondents after a reasonable time. The researcher then went through them to ensure that they were filled correctly and ready for the next step of data processing and analysis

3.8 Data Analysis and Presentation

After the data collection exercise, cleaning of the questionnaire was done to ensure that only well filled questionnaires that meets the expectations of the researcher were considered. The information collected was assigned unique numerical codes according to classes and categories formulated to facilitate the use of Statistical Package for Social Sciences (SPSS) software. SPSS was considered ideal for this exercise since it is widely used for quantitative data analysis and its user friendly characteristics. The researcher used descriptive statistics to describe the fundamental features as established by the study. Data was presented in form of frequency tables and percentages. Inferential statistics was used to analyze the nature of relationship between the research variables. This was done through multiple regression analysis models. The regression model is as shown;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \dots\dots\dots (i)$$

Where; Y = Performance of County Government

β_0 = Constant Term

$\beta_1, \beta_2, \beta_3$ and β_4 = were the regression coefficients established to indicate the magnitude of the relationship of independent variables on the dependent variables.

X_1 = Financial planning practices

X_2 = County governance Practices

X_3 = Internal Controls practices

ε = Error term

3.9 Ethical Considerations

Before data collection the researcher obtained all the required permits for carrying out the study. The permits include an introduction letter from the Board of Graduate Studies authorizing the researcher to carry out the data collection exercise, a permit from National Commission for Science Technology and Innovation (NACOSTI) was sought to give the researcher permission to carry out the study and finally permission from the relevant County Government Department. The researcher observed all other ethical guidelines while collecting data such as asking for consent from the respondent before data collection and ensuring confidentiality of the collected data.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results from data analysis and the discussion thereafter. Data was obtained through self-administered questionnaires. The results presented include the respondents' demographic information, respondents' views on financial distress management practices and performance of County Governments in Kenya. The responses and opinion were analyzed and findings presented in form of frequency tables.

4.2 Response Rate

The response rate was 85% which is above 80% as recommended by Mugenda and Mugenda (2003). The summary of response rate was presented in table 4.1.

Table 4.1

Response Rate

Questionnaires	Number of Questionnaires	Percentage
Issued Questionnaires	136	100%
returned Questionnaires	116	85%
Unreturned Questionnaires	20	15

Source: Field Data (2021)

4.3 Demographic Information

The study collected information about the gender, age, work experience and education level of the respondents as part of demographic information and presented it using frequency tables which are outlined in Table 4.2 to Table 4.4.

4.3.1 Gender of the respondents

Gender was examined and their results were presented in frequency table. This has been summarized in table 4.2.

Table 4.2

Gender of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	56	48.3	48.3	48.3
	Female	60	51.7	51.7	100.0
Total		116	100.0	100.0	

Source: Field Data (2021)

Table 4.2 indicated that there were more female respondents than male respondents. Female respondents were 60 representing 51.7% of the total respondents while male were 56 which represented 48.3 %. The findings imply that both genders were represented in the study.

4.3.2 Age of the respondents

Information of age was presented in table 4.3 which provided the summary of frequency and percentage.

Table 4.3**Age of the Respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25 years and below	6	5.2	5.2	5.2
	26-30	29	25.0	25.0	30.2
	31-35	37	31.9	31.9	62.1
	36-40	22	19.0	19.0	81.0
	41-45	10	8.6	8.6	89.7
	46 and above	12	10.3	10.3	100.0
Total		116	100.0	100.0	

Source: Field Data (2021)

Table 4.3 is summary of employees' age bracket. The highest number of the respondents are of ages between 31-35 years who were 37 respondents and this represented 31.9% followed by respondents of age between 26-30 years who were 29 representing 25% of the total respondents, third is between 36-40 years who were 22 respondents representing 19%, fourth are employees who are 46 and above and the respondents were 12 representing 10.3%, fifth is the age between 41-45 year who were 10 respondents representing 8.6% and lastly there were only 6 respondents who were below 25 years and this represented 5.2% of the total respondents. These findings imply that majority of the respondents who participated in the study were of a youthful age.

4.3.3 Work experience at the county government

Work experience was examined and the findings presented using frequency and percentage table. The summary results were presented in table 4.4.

Table 4.4**Work Experience of the Respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5 and below	16	13.8	13.8	13.8
	6-10	49	42.2	42.2	56.0
	11-15	39	33.6	33.6	89.7
	16-20	8	6.9	6.9	96.6
	21 and above	4	3.4	3.4	100.0
Total		116	100.0	100.0	

Source: Field Data (2021)

Table 4.4 indicates working experience of the employees in the county government. From the analyzed data it was established that 42.2% had worked between 6-10 years, 33.6% had worked between 11-15 years, 13.8% respondents had worked for 5 years and below, 6.9% had worked between 16-20 years and lastly 3.4% of the respondents had worked for 21 years and above.

4.3.4 Level of academic qualifications

The results on academic qualification were presented in table 4.5 which were summarized in frequency and percentage.

Table 4.5**Level of Academic Qualification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Master degree	14	12.1	12.1	12.1
	Bachelor degree	75	64.7	64.7	76.7
	Diploma	25	21.6	21.6	98.3
	KCSE	2	1.7	1.7	100.0
Total		116	100.0	100.0	

Source: Field Data (2021)

The findings on academic qualification presented in Table 4.5 indicate that majority of the respondents had attained a bachelor degree and the lowest academic qualification was Kenya Certificate of Secondary Education certificate. From the findings, respondents with Bachelor Degree were 75 representing 64.7%, this was followed by 25 respondents representing 21.6 % with diploma qualification, respondents with master degree were 14 representing 12.1% and lastly only 2 respondents representing 17% had KCSE academic qualification. These findings imply that the respondents were in a better position to understand the working of the county government and thus the information gathered can be relied on.

4.4 Descriptive Statistics

Descriptive statistics were summarized in frequency table, mean and standard deviation. The Likert scale with weights from 1 to 5 which represented strongly disagreed to strongly agree respectively was used to assess the extent to which the respondents agreed to various statements. A mean of 3 and above indicated agreeability otherwise disagree.

4.4.1 Financial planning practices and performance of county governments

The study sought to assess financial planning practices that were adopted by the county government. The findings are presented using frequencies, mean and standard deviation.

The descriptive results were presented in Table 4.6.

Table 4.6**Frequency Table and Mean for Financial Planning Practices**

Statement	SA 5	A 4	N 3	D 2	SD 1	Mean	SD
The county government mobilizes enough resources for execution of its activities	12(10.3%)	58(50.0%)	33(28.4%)	11(9.5%)	2(1.7%)	3.5776	.86629
The county government has adopted proper budgeting and budget implementation practices	9(7.8%)	43(37.1%)	50(43.1%)	14(12.1%)	-	3.4052	.80194
The county government provides regular financial reports to enable better decision making	2 (1.7%)	71(61.2%)	33(28.4%)	10(8.6%)	-	3.5603	.67616
The county government prepare and present annual audited accounts to the relevant bodies	8(6.9%)	67(57.8)	39(33.6%)	2(1.7%)	-	3.6983	.62164
Proper financial planning ensures efficient service delivery	26(22.4%)	58(50.0%)	28(24.1%)	2(1.7%)	2(1.7%)	3.8966	.82756

Source: Field Data (2021)

In Table 4.6, there was 12(10.3%) who strongly agreed, 58(50.0%) agreed, 33(28.4%) neutral, 11(9.5%) disagreed and 2(1.7%) disagreed that county government mobilizes enough resources for execution of its activities. A mean of 3.5776 reveals that government moderately mobilized enough resource for execution of activities. A standard deviation of 0.86629 revealed low variation indicating homogenous opinion.

In response to adoption of proper budgeting and implementation practice 9(7.8%) strongly agreed, 43(37.1%) agreed, 50(43.1%) neutral and 14(12.1%) disagreed. A mean of 3.4052 revealed that the county government moderately adopted proper budgeting and budget implementation practices. A standard deviation of 0.80194 implying similar opinion.

Majority of the respondents 71(61.2%) agreed that the county government provided regular financial reports to enable better decision making, 33(28.4%) neutral, 10(8.6%) disagree and 2(1.7%) strongly agreed (mean of 3.5603). A standard deviation of 0.67616 indicated low variation in response.

A mean of 3.6983 indicated that the county government somewhat prepared and presented annual audited accounts to the relevant bodies. There were 8(6.9%) who strongly agreed, 67(57.8) agreed, 39(33.6%) were neutral and 2(1.7%) disagreed. Its variation was low in preparing and presenting annual audited account (standard deviation of 0.62164).

According to the findings 26(22.4%) strongly agreed, 58(50.0%) agreed, 28(24.1%) neutral, 2(1.7%) disagreed and 2(1.7%) strongly disagreed that there was proper financial planning to ensure efficient service delivery. The mean of 3.8966 indicated proper

financial planning sufficiently assisted in ensuring efficient service delivery. Its variation was low in service delivery (standard deviation of 0.82756).

The current study findings concurred with the findings of Isaac, Lawal and Okoli (2015) where both findings agreed that budget and budgetary implementation had positive effect on county government performance. Despite the findings indicating similar results, Isaac, Lawal and Okoli (2015) used survey research design while the current study relied on correlation research design. On the other hand, both studies used both primary and secondary data collection methods to obtain data.

4.4.2 County governance practices and performance of county governments

The study sought to assess County Governance Practices that were adopted by the county government. The findings are presented using frequencies, mean and standard deviation. The results were presented in table 4.7.

Table 4.7**Frequency table and mean for County Governance Practices**

Statement	SA 5	A 4	N 3	D 2	SD 1	Mean	SD
Transparency in the county government is ensured by allowing the public to access county information	8(6.9%)	47(40.5%)	42(36.2%)	15(12.9%)	4(3.4%)	3.3448	.91465
Each accounting officer in the county government is solely accountable for their actions	12(10.3%)	77(66.4%)	23(19.8%)	-	4(3.4%)	3.8017	.76009
The county governments has developed risk mitigation and control strategies	5(4.3%)	46(39.7%)	47(40.5%)	16(13.8%)	2(1.7%)	3.3103	.82792
The county governments has implemented effective performance appraisal practices	10(8.6%)	61(52.6%)	36(31.0%)	7(6.0%)	2 (1.7%)	3.6034	.80086
Good governance practices leads to meeting of financial obligations at the county government	21(18.1%)	61(52.6)	29(25.0%)	3(2.6%)	2(1.7%)	3.8276	.81588

Source: Field Data (2021)

Table 4.7 indicated that transparency in the county government was slightly ensured by allowing the public to access county information resulting to a mean of 3.3448. The response shows that 8(6.9%) strongly agreed, 47(40.5%) agreed, 42(36.2%) neutral, 15(12.9%) disagreed and 4(3.4%) strongly disagreed. Its variance was low with standard deviation of 0.91465.

Results indicated that 77 (66.4%) agreed that accounting officers in the county government were solely accountable for their actions. However, 12(10.3%) strongly agreed, 23(19.8%) neutral and 4(3.4%) strongly disagreed. A standard deviation of 0.76009 was low in variation.

Finding showed 5(4.3%) of respondents strongly agreed, 46(39.7%) agreed, 47(40.5%) neutral, 16(13.8%) disagreed and 2(1.7%) strongly disagreed that county governments had developed risk mitigation and control strategies. These results to mean of 3.3103 which indicated county moderately developed risk mitigation. It had low variation in responses opinion with standard deviation of 0.82792.

A response on county governments had implemented effective performance appraisal practices with 10(8.6%) strongly agreed, 61(52.6%) agreed, 36(31.0%) neutral, 7(6.0%) disagreed and 2 (1.7%) strongly disagreed. A mean of 3.6034 indicated that county performance was as a result of appraisal practices. Its variation was low with standard deviation of 0.80086.

A good governance practices adequately led to meeting financial obligations at the county government where 21(18.1%) strongly agreed, 61(52.6%) agreed, 29(25.0%)

neutral, 3(2.6%) disagreed and 2(1.7%) strongly disagreed (mean of 3.8276). A standard deviation of 0.81588 indicated homogenous.

These findings agreed with the findings of Ndibe, Abdulazeez and Mercy (2016) where it was ascertained that good corporate governance indicated a positive significant relationship with performance. To the contrary, Shahwan, (2015) found out that corporate governance had relatively low relationship with financial performance. The different results might be because; Shahwan (2015) conducted a study in Egypt which may have cross border differences from current study which is conducted in Kenya. The study was carried on selected companies which have different settings and policies from county governments.

4.4.3 Internal control practices and performance of county governments

The study sought to assess Internal Control Practices that were adopted by the county government. The findings are presented using frequencies, mean and standard deviation. The results were presented in table 4.8.

Table 4.8**Frequency table and mean for Internal Control Practices**

Statement	SA 5	A 4	N 3	D 2	SD 1	Mean	SD
The county government has initiated frequent and periodic monitoring and evaluation programs	3(2.6%)	55(47.4%)	36(31.0%)	20(17.2%)	2(1.7%)	3.3190	.85057
The county government has developed clear channels of communication	6(5.2%)	59(50.9%)	31(26.7%)	18(15.5%)	2(1.7%)	3.4224	.87627
The county government has an efficient internal audit department	6(5.2%)	62(53.4%)	31(26.7%)	8(6.9%)	9(7.8%)	3.4138	.97863
The county government has an effective control environment which ensures that activities are executed as planned	12(10.3%)	48(41.4%)	31(26.7%)	23(19.8%)	2(1.7%)	3.3879	.97599
Internal control practices lead to improved service delivery	18(15.5%)	76(65.5%)	13(11.2%)	5(4.3%)	4(3.4%)	3.8534	.85724

Source: Field Data (2021)

According to Table 4.8 the county government had somewhat initiated frequent and periodic monitoring and evaluation programs since 3(2.6%) strongly agreed, 55(47.4%)

agreed, 36(31.0%) neutral, 20(17.2%) disagreed and 2(1.7%) strongly disagreed (mean of 3.3190). A standard deviation of 0.85057 revealed that there was homogenous opinion.

County government had developed clear channels of communication where 6(5.2%) strongly agreed, 59(50.9%) agreed, 31(26.7%) neutral, 18(15.5%) disagreed and 2(1.7%) strongly disagreed. A mean of 3.4224 indicated that there was somewhat clear channel of communication. The opinion indicated low variation with standard deviation of 0.87627.

In response to county government having efficient internal audit department, 6(5.2%) strongly agreed, 62(53.4%) agreed, 31(26.7%) neutral, 8(6.9%) disagreed and 9(7.8%) strongly disagreed (mean of 3.4138). A standard deviation of 0.97863 revealed low variation in opinion.

The results showed that 12(10.3%) strongly agreed, 48(41.4%) agreed, 31(26.7%) neutral, 23(19.8%) disagreed and 2(1.7%) strongly disagreed in response to county government in achieving effective control environment which ensures that activities are executed as planned (mean of 3.3879). A low variation was found with indicated similar opinion (standard deviation of 0.97599).

The response to internal control practices leading to improved service delivery, it was revealed that 18(15.5%) strongly agreed, 76(65.5%) agreed, 13(11.2%) neutral, 5(4.3%) disagreed and 4(3.4%) strongly disagreed. A mean of 3.8534 revealed that internal control practice improved service delivery. Variance was low with standard deviation of 0.85724 which implied there was similar opinion.

The findings of this study on internal control practices were similar to the study findings of Ejoh and Ejom, (2014), and Ahmed and Nganga (2019). It was established that there

was a positive and significant relationship between internal control practices and performance of county government although Ahmed and Nganga (2019) mainly focused on cash management, audit functions and risk management as internal control practices. The similarity of the results might be due to studies being conducted in county governments and adopted descriptive and inferential statistics for data analysis. For instance, a study by Ahmed and Nganga (2019) adopted the same unit of analysis and data analysis as the ones used by the current study.

4.4.4 Performance of county governments

Performance of county government was examined using mean and standard deviation derived from frequency table. Summary of the results were presented in table 4.10.

Table 4.9**Frequency table and mean for Performance of County Governments**

Statement	SA 5	A 4	N 3	D 2	SD 1	Mean	SD
There is efficient service delivery in the county government	-	31(26.7%)	59(50.9%)	20(17.2%)	6(5.2%)	2.9914	.80753
Development projects are completed in time	10(8.6%)	36(31.0%)	29(25.0%)	19(16.4%)	22(19.0%)	2.9397	1.26001
Citizens are satisfied by the services rendered to them by the county government	13(11.2%)	34(29.3%)	36(31.0%)	23(19.8%)	10(8.6%)	3.1466	1.12871
Financial obligations are met on time by the government	21(18.1%)	36(31.0%)	19(16.4%)	25(21.6%)	15(12.9%)	3.1983	1.32021
Social programs have improved in the county	16(13.8%)	52(44.8%)	20(17.2%)	18(15.5%)	10(8.6%)	3.3966	1.16380

Source: Field Data (2021)

In table 4.10 it was revealed that majority of the respondents 59(50.9%) were neutral that there was efficient service delivery in the county government. However, 31(26.7%) agreed, 20(17.2%) disagreed and 6(5.2%) strongly disagreed. A mean 2.9914 indicated that the service delivery in the county government was below average. With similar opinion indicated by standard deviation of 0.80753.

The results also indicated that 10(8.6%) strongly agreed, 36(31.0%) agreed, 29(25.0%) neutral, 19(16.4%) disagreed and 22(19.0%) strongly disagreed that development projects

were completed in time. Development projects were below average as indicated with a mean of 2.9397. A standard deviation of 1.26001 indicated that high variation of heterogeneous opinion.

The citizens were satisfied by the services rendered to them by the county government with 13(11.2%) strongly agreed, 34(29.3%) agreed, 36(31.0%) neutral, 23(19.8%) disagreed and 10(8.6%) strongly disagreed. A mean of 3.1466 indicated that service rendered was above average where there was heterogeneous in opinion (standard deviation of 1.12871).

A mean of 3.1983 indicated that financial obligations were achieved on time by the government where 21(18.1%) strongly agreed, 36(31.0%) agreed, 19(16.4%) neutral, 25(21.6%) disagreed and 15(12.9%) strongly disagreed. However, there was variation was not homogenous across the department based on a standard deviation of 1.32021.

According to the findings revealed that social programs had improved in the county to some extent (mean of 3.3966). This was due to 16(13.8%) respondents who strongly agreed, 52(44.8%) agreed, 20(17.2%) neutral, 18(15.5%) disagreed and 10(8.6%) strongly disagreed. A standard deviation of 1.16380 indicated heterogeneous response based on different departments.

Fjelstad *et al.*, (2004) found out that local governments in Tanzania, which operated proper financial management practices and government regulations posted a positive improvement in terms of resources utilizations, improvement of infrastructure and good service delivery to the public and some local authorities were financially stable. Njuguna (2010) found out that in Kenya, most government agencies are experiencing financial

distress leading to majority of public corporations performing poorly. This is of different opinion according to the findings of the current study which indicate county government having a moderate performance.

4.5 Inferential Statistics

Inferential statistics were used to analyze relationship between the independent and dependent variables. Correlation and regression analysis were used to test nature of relationship between the independent and dependent variable including significance of the hypothesis.

4.5.1 Correlation analysis

Correlation was tested using a significant level of 5%. The summary results were examined and presented in table 4.11.

Table 4.10**Correlation Analysis**

		Financial Planning Practices	County Governance Practices	Internal Control Practices	Performance
Financial Planning Practices	Pearson	1	.581**	.626**	.749**
	Correlation				
	Sig. (2-tailed)		.000	.000	.000
	N	116	116	116	116
County Governance Practices	Pearson		1	.699**	.546**
	Correlation				
	Sig. (2-tailed)			.000	.000
	N			116	116
Internal Control Practices	Pearson			1	.603**
	Correlation				
	Sig. (2-tailed)				.000
	N				116
Performance	Pearson				1
	Correlation				
	Sig. (2-tailed)				
	N				

Source: Research Data (2021)

The findings presented in Table 4.11 indicate that there exists positive significant correlation between financial planning and the performance of county governments ($R=0.581$, $P<0.05$). This means that an increase in financial planning leads to increase in performance of county governments. The table also indicates that there exists positive significant correlation between county government practices and the performance of county governments ($R=0.626$, $P<0.05$). This translates to an increase in county government practices leads to an increase in performance of county government. Results also depict a weak significant correlation between internal control practices and performance of county government ($R=0.484$, $P<0.05$). This indicates that when there is

an increase in internal control practices, performance of county government also increases at the same time.

4.5.2 Regression analysis

Regression analysis was used to test the hypothesis of the study based on 5% significant. The regression model summary was presented in table 4.12.

Table 4.11

Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.941 ^a	0.887	0.839	0.705

Source: Research Data (2021)

The findings in Table 4.12 indicated that there existed strong relationship between finance distress management practice and performance of selected county governments. Where financial planning practices, county governance practices, and internal control practices contributed 88.7% of variation in performance of the County and other factors contribute 11.3% (R square = 0.887).

Table 4.12

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.513	4	9.628	19.351	0.000 ^b
	Residual	55.229	111	.498		
	Total	93.742	115			

a. Dependent Variable: Performance

b. Predictors: (Constant), Financial Planning Practices, County Governance Practices, and Internal Control practices

ANOVA results in Table 4.13 indicate that the model was statistically significant with F-statistics ($F_{(4,111)} = 19.351$, $P < 0.05$).

Table 4.13
Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.462	0.649		.712	0.478
Financial planning practices	0.628	0.231	0.506	2.719	0.007
County governance Practices	0.490	0.171	0.312	2.860	0.005
Internal Controls practices	0.681	0.149	0.519	4.572	0.000

a. Dependent Variable: Performance

The findings in table 4.14 established that financial planning practices, county governance practices, and internal control practices had strong significant relationship with performance of county government ($P < 0.05$).

The regression analysis was as follows;

$$Y = 0.462 + 0.628X_1 + 0.490X_2 + 0.681X_3$$

This implied that a unit increase in financial planning practices, county governance practices, internal control practices and county government regulatory had 0.628, 0.490, and 0.681 increases in performance of county government respectively.

4.6 Testing of the Hypothesis

H₀₁ There is no significant relationship between financial planning practices and performance of selected County Governments in Kenya. The null hypothesis was rejected and the alternative hypothesis indicate there is significant relationship ($R=0.581$, $P<0.05$) between financial planning practices and performance of selected County Governments in Kenya adopted.

H₀₂ There is no significant relationship between County Governance practices and performance of selected County Governments in Kenya. The null hypothesis was rejected and the alternative hypothesis indicate there is significant relationship ($R=0.626$, $P<0.05$) between County Governance practices and performance of selected County Governments in Kenya adopted.

H₀₃ There is no significant relationship between internal control practices and performance of selected County Governments in Kenya. The null hypothesis was rejected and the alternative hypothesis indicate there is significant relationship ($R=0.484$, $P<0.05$) between internal control practices and performance of selected County Governments in Kenya adopted.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary of the research findings, conclusion and recommendations for the study.

5.2 Summary of Findings

The study sought to determine the relationship between financial distress management practices and performance of selected county governments in Kenya. The study was guided by the three objectives; to establish the relationship between financial planning practices and performance of selected County Governments in Kenya, examine the relationship between County Governance practices and performance of selected County Governments in Kenya and lastly to examine the relationship between internal control practices and performance of selected County Governments in Kenya.

5.2.1 Financial planning practices and performance

Financial Planning Practices and Performance, the findings indicated that the county governments moderately mobilized enough resources which aided in the execution of various county government activities. The county government also had good budgeting and budget implementation practices in place and this contributed to good county government performance. Further, the findings showed regular financial reporting being the major factor which facilitated to financial planning practices in the county governments hence fostered performance. Lastly, the study established that county government presented annual audited accounts to all relevant stakeholders. The study

established that there was significant statistical relationship between proper financial planning practices and performance (efficient service delivery) of county governments.

5.2.2 County governance practices and performance

The study findings revealed that there was transparency in the county government however it was not to satisfactory level. The public could access county information but to some extent. It was also established that accounting officers in the county government were liable for all their actions. This was supported by majority of the respondents who agreed. Risks mitigation and control strategies in the county government were moderate developed. It was further established that, county government had effective performance appraisal practices in place and which was slightly above average. Lastly, the study results indicated that good governance practices adequately led to county government meeting financial obligations. Although the county governance practices were not excellent but they were slightly above average as the findings indicated. The study therefore established a positive significant relationship between county governance practices and performance of selected county governments.

5.2.3 Internal control practices and performance

Periodic monitoring and evaluation programs were somewhat frequently initiated by the county government. According to the findings this was slightly below average. The findings also indicated that the county government had clear channels of communication. This facilitated communication within and without the institution by use of different media. The study revealed also, the county government had efficient internal audit department this ensured proper utilization of available county government's resources.

On effective control environment, the study indicated that the activities were executed as planned by the county government. Internal control practices led to improved service delivery in the county government. The study therefore established a positive significant relationship between internal control practices and performance of selected county governments.

5.3 Conclusions

The study conclusion has been summarized in the sub sections below

5.3.1 Financial planning practices and performance

The study on financial planning and practices concluded that when county government mobilized resources, have proper budgeting and budgetary implementation practices in place, adopt regular financial reporting and making annual audited accounts available improves on performance of county government in terms of efficient service delivery. In general, financial planning practices if well executed in county governments will enhance performance. The study concludes that Financial planning practices are statistically significant to performance of county government.

5.3.2 County governance practices and performance

Transparency was exhibited in county government but not to the expected level, the county government accounting officers on the other hand are liable for their actions taken this ensures accountability and transparency. The county governments had moderate risks mitigation and control strategies as well as the county had effective performance appraisal. The study concludes that County Governance Practices is statistically significant to performance of county government.

5.3.3 Internal control practices and performance

Periodic monitoring and evaluation programs were moderately initiated by the county government and they have clear channel of communication. For proper utilization of county government resources, there was efficient internal audit department. It was concluded that activities were executed according to the plans because of effective control environment in the county governments. The study concludes that Internal Control Practices is statistically significant to performance of county government.

5.4 Recommendations

The study recommends that the county government need to mobilize more resources this could support the county government in executing their projects and complete them on in time. There is need for the county government to have good budgeting and budget implementation practices this will help the county to control, use and evaluate of resources. Regular financial reporting and annual audited accounts should be made available to all stakeholders.

The study also recommends that county governments must make county information available for easy access and this will indicate transparency. The counting officers should be reliable for their actions and this could lead to accurate reporting on the other hand the county government need to come up with risks mitigations and control strategies in order reduce risks. For employee motivation, the county government ought to have effective performance appraisal practices.

Finally, the study recommends that the county government should put in place periodic monitoring and evaluation programs this could allow the county to be effective and

efficient in their service delivery. On the other hand, the county government should have clear channels of communication and this will facilitate effective communication within and outside the county. The study further recommended that county governments need to have efficient internal audit department for proper utilization of resources.

5.5 Suggestions for Further Research

There is need to carry further research study on internal control practices and performance by looking specifically at the contributions of periodic monitoring and evaluation programs on performance. Another study can be conducted on the role of county governance on performance. The research findings on the same indicated a moderate result yet they factor are of great importance to any organizations performance.

Further, the study recommends that other factors should be investigated since the three variables under study could only explain 88.7% of the performance of county governments.

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APPENDICES

Appendix I: Introduction Letter

Hillary Kipngetich Bii
University of Kabianga
PO Box 2030-20200
Kericho
Tell No: 0725907317

Dear Sir/Madam

RE: DATA COLLECTION

I am a post graduate student at the University of Kabianga currently undertaking a Master's degree in Business Administration (Finance option). As part of the requirements for completion of this course, am carrying out a research study on "*financial distress management practices and performance of selected county governments in Kenya.*" I therefore request you to be part of this exercise by allowing me access to your county government to collect relevant data for the study. Collected data will be solely used for this academic exercise and will be treated with outmost confidentiality.

Thanks in advance for your cooperation

Yours sincerely

Hillary Kipngetich Bii

Appendix II: Questionnaire

This study is on financial distress management practices and performance of selected county governments in Kenya. This questionnaire is divided into two parts. Part A seeks answers on personal information while part B seeks answers to specific objectives of this study. Kindly provide correct and honest answers by ticking (✓) to the following questions without indicating your name

PART A: PERSONAL INFORMATION

1. Gender

- a) Male ()
- b) Female ()

2. Age bracket

- a) 25 years and below ()
- b) 26 years to 30 years ()
- c) 31 years to 35 years ()
- d) 36 years to 40 years ()
- e) 41 years to 45 years ()
- f) Above 46 years ()

3. Working experience

- a) 0 years to 5 years ()
- b) 6 years to 10 years ()
- c) 11 years to 15 years ()
- d) 16 years to 20 years ()
- e) 21 years and above ()

4. Highest Academic Qualification

- a) Master Degree ()
- b) Bachelor Degree ()
- c) Diploma ()
- d) KCSE ()

PART B: SPECIFIC OBJECTIVES

This section seeks to collect data on various financial management practices at the selected county governments

Section A: Financial Planning Practices and Performance of County Governments

Indicate by ticking (✓) to what extent you agree with the provided statements. A scale is provided with different weights where by 5 represents Strongly Agree, 4 represents Agree, 3 represents Neutral, 2 represents Disagree and 1 represents Strongly Disagree

	Statement	SA 5	A 4	N 3	D 2	SD 1
5.	The county government mobilizes enough resources for execution of its activities					
6.	The county government has adopted proper budgeting and budget implementation practices					
7.	The county government provides regular financial reports to enable better decision making					
8.	The county government prepare and present annual audited accounts to the relevant bodies					
9.	Proper financial planning ensures efficient service delivery					

Section B: County Governance Practices and Performance of County Governments

Indicate by ticking (✓) to what extent you agree with the provided statements. A scale is provided with different weights where by 5 represents Strongly Agree, 4 represents Agree, 3 Represents Neutral, 2 represents Disagree and 1 represents Strongly Disagree

	Statement	SA	A	N	D	SD
		5	4	3	2	1
10.	Transparency in the county government is ensured by allowing the public to access county information					
11.	Each accounting officer in the county government is solely accountable for their actions					
12.	The county governments has developed risk mitigation and control strategies					
13.	The county governments has implemented effective performance appraisal practices					
14.	Good governance practices leads to meeting of financial obligations at the county government					

Section C: Internal Control Practices and Performance of County Governments

Indicate by ticking (✓) to what extent you agree with the provided statements. A scale is provided with different weights where by 5 represents Strongly Agree, 4 represents Agree, 3 Represents Neutral, 2 represents Disagree and 1 represents Strongly Disagree

	Statement	SA 5	A 4	N 3	D 2	SD 1
15.	The county government has initiated frequent and periodic monitoring and evaluation programs					
16.	The county government has developed clear channels of communication					
17.	The county government has an efficient internal audit department					
18.	The county government has an effective control environment which ensures that activities are executed as planned					
19.	Internal control practices lead to improved service delivery					

Section D: Government Regulations and Performance of County Governments

Indicate by ticking (✓) to what extent you agree with the provided statements. A scale is provided with different weights where by 5 represents Strongly Agree, 4 represents Agree, 3 Represents Neutral, 2 represents Disagree and 1 represents Strongly Disagree.

	Statement	SA 5	A 4	N 3	D 2	SD 1
20.	The County physical strategy paper provides the county governments with strategic plan on service delivery					
21.	Government regulations have enhanced proper utilization of financial resources					
22.	The government regulations have contributed to employment of qualified staff					
23.	Adhering to government regulations enhances Public satisfaction and confidence					
24.	The county government has implemented the county integrated development plan					

Section E: Performance of County Governments

Indicate by ticking (✓) to what extent you agree with the provided statements. A scale is provided with different weights where by 5 represents Strongly Agree, 4 represents Agree, 3 Represents Neutral, 2 represents Disagree and 1 represents Strongly Disagree.

	Statement	SA 5	A 4	N 3	D 2	SD 1
25.	There is efficient service delivery in the county government					
26.	Development projects are completed in time					
27.	Citizens are satisfied by the services rendered to them by the county government					
28.	Financial obligations are met on time by the government					
29.	Social programs have improved in the county					

Appendix III: List of County Governments in Kenya

	COUNTY	POPULATION	CAPITAL
1	Mombasa (County)	1,208,333	Mombasa (City)
2	Kwale	866,820	Kwale
3	Kilifi	1,453,787	Kilifi
4	Tana River	315,943	Hola
5	Lamu	143,920	Lamu
6	Taita–Taveta	340,671	Mwatate
7	Garissa	841,353	Garissa
8	Wajir	781,263	Wajir
9	Mandera	867,457	Mandera
10	Marsabit	459,785	Marsabit
11	Isiolo	268,002	Isiolo
12	Meru	1,545,714	Meru
13	Tharaka-Nithi	393,177	Kathwana
14	Embu	608,599	Embu
15	Kitui	1,136,187	Kitui
16	Machakos	1,421,932	Machakos
17	Makueni	987,653	Wote
18	Nyandarua	638,289	Ol Kalou
19	Nyeri	759,164	Nyeri
20	Kirinyaga	610,411	Kerugoya / Kutus
21	Murang'a	1,056,640	Murang'a
22	Kiambu	2,417,735	Kiambu
23	Turkana	926,976	Lodwar
24	West Pokot	621,241	Kapenguria

25	Samburu	310,327	Maralal
26	Trans-Nzoia	990,341	Kitale
27	Uasin Gishu	1,163,186	Eldoret
28	Elgeyo-Marakwet	454,480	Iten
29	Nandi	885,711	Kapsabet
30	Baringo	666,763	Kabarnet
31	Laikipia	518,560	Rumuruti
32	Nakuru	2,162,202	Nakuru
33	Narok	1,157,873	Narok
34	Kajiado	1,117,840	Kajiado
35	Kericho	901,777	Kericho
36	Bomet	875,689	Bomet
37	Kakamega	1,867,579	Kakamega
38	Vihiga	590,013	Vihiga
39	Bungoma	1,670,570	Bungoma
40	Busia	893,681	Busia
41	Siaya	993,183	Siaya
42	Kisumu	1,155,574	Kisumu(City)
43	Homa Bay	1,131,950	Homa Bay
44	Migori	1,116,436	Migori
45	Kisii	1,266,860	Kisii
46	Nyamira	605,576	Nyamira
47	Nairobi (County)	4,397,073	Nairobi (City)

Appendix IV: Selected Counties

	COUNTY
1	KERICHO
2	BOMET
3	NAROK

Appendix V: Clearance Letter from the University of Kabianga



UNIVERSITY OF KABIANGA
ISO 9001:2015 CERTIFIED
OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: MBA/A/034/18

Date: 3rd June, 2021

Hillary Kipngetch Bii,
Accounting, Finance & Economics Department,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Mr. Bii,

RE: CLEARANCE TO COMMENCE FIELD WORK

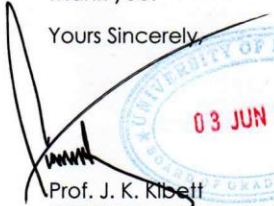
I am glad to inform you that the Board of Graduate Studies during its meeting on 17th March, 2021 approved your research proposal entitled "**Relationship between Financial Distress Management Practices and Performance of Selected County Government in Kenya.**"

I am also acknowledging receipt of your corrected soft and spiral bound copy of your proposal. You are now free to commence your field work on condition that you obtain a research permit from NACOSTI.

Please note that, you are expected to publish at least one (1) paper in a peer reviewed journal before final examination (oral defense) of your Masters thesis.

Thank you.

Yours Sincerely,


Prof. J. K. Kibett
DIRECTOR, BOARD OF GRADUATE STUDIES.



- cc 1. Dean, SBE
2. HOD, Accounting, Finance & Economics Department
3. Supervisors

Appendix VI: Clearance Letter from Nacosti

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 223366	Date of Issue: 11/June/2021
RESEARCH LICENSE	
	
This is to Certify that Mr., HILLARY BII of University of Kabianga, has been licensed to conduct research in Kericho on the topic: RELATIONSHIP BETWEEN FINANCIAL DISTRESS MANAGEMENT PRACTICES AND PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA for the period ending : 11/June/2022.	
License No: NACOSTI/P/21/11117	
223366 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	

Appendix VII: Clearance Letter from The Ministry of Education



MINISTRY OF EDUCATION

STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION
Email: cdekerichocounty@gmail.com
When Replying Please Quote: County Education Office
P.O BOX 149
KERICHO

Ref: No.KER/C/ED/GC/2/VOL.II/108

8th July 2021

TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION: HILLARY KIPNGETICH BII LICENCE
NO.NACOSTI/P/21/11117

I refer to the Director General NACOSTI Letter Ref: No. 223366 dated 11th June 2021 granting the above student authority to proceed for field work. His area of study is titled: **"RELATIONSHIP BETWEEN FINANCIAL DISTRESS MANAGEMENT PRACTICES AND PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA"**, for the period ending 11th June 2022.

This is to request your office to accord him the necessary support during the data collection process.

Thank you.




ROSE K SAGARA
COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY.

Appendix VIII: Clearance Letter from the County Government of Kericho

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF KERICHO
DEPARTMENT OF EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE, SPORTS
AND SOCIAL SERVICES

P. O. Box 112-20200
Ref: KEC/EDU /8/19/ (86)

Email: info@kericho.go.ke
Date: 22nd July, 2021

TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION: HILLARY KIPNGETICH BII LICENCE
NO. NACOSTI/P/21/11117

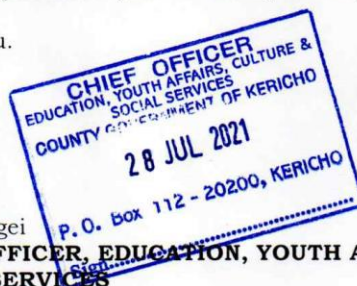
In reference to your request to conduct the above research in Kericho County and subsequent authorization by the Director General NACOSTI (Ref. No. 223366 dated **11th June, 2021**).

You are hereby permitted to proceed with the study as we have no objection. We will appreciate if you will kindly share your finding with our office.

Thank you.

Eunice Sigei

CHIEF OFFICER, EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE AND SOCIAL SERVICES



Appendix IX: Clearance Letter from the County Commissioner



OFFICE OF THE PRESIDENT
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams:
Telephone: Kericho 20132
When replying please quote
kerichocc@yahoo.com

THE COUNTY COMMISSIONER
KERICHO COUNTY
P.O. BOX 19
KERICHO

REF: MISC 19 VOL.VII (119)

8th July, 2021

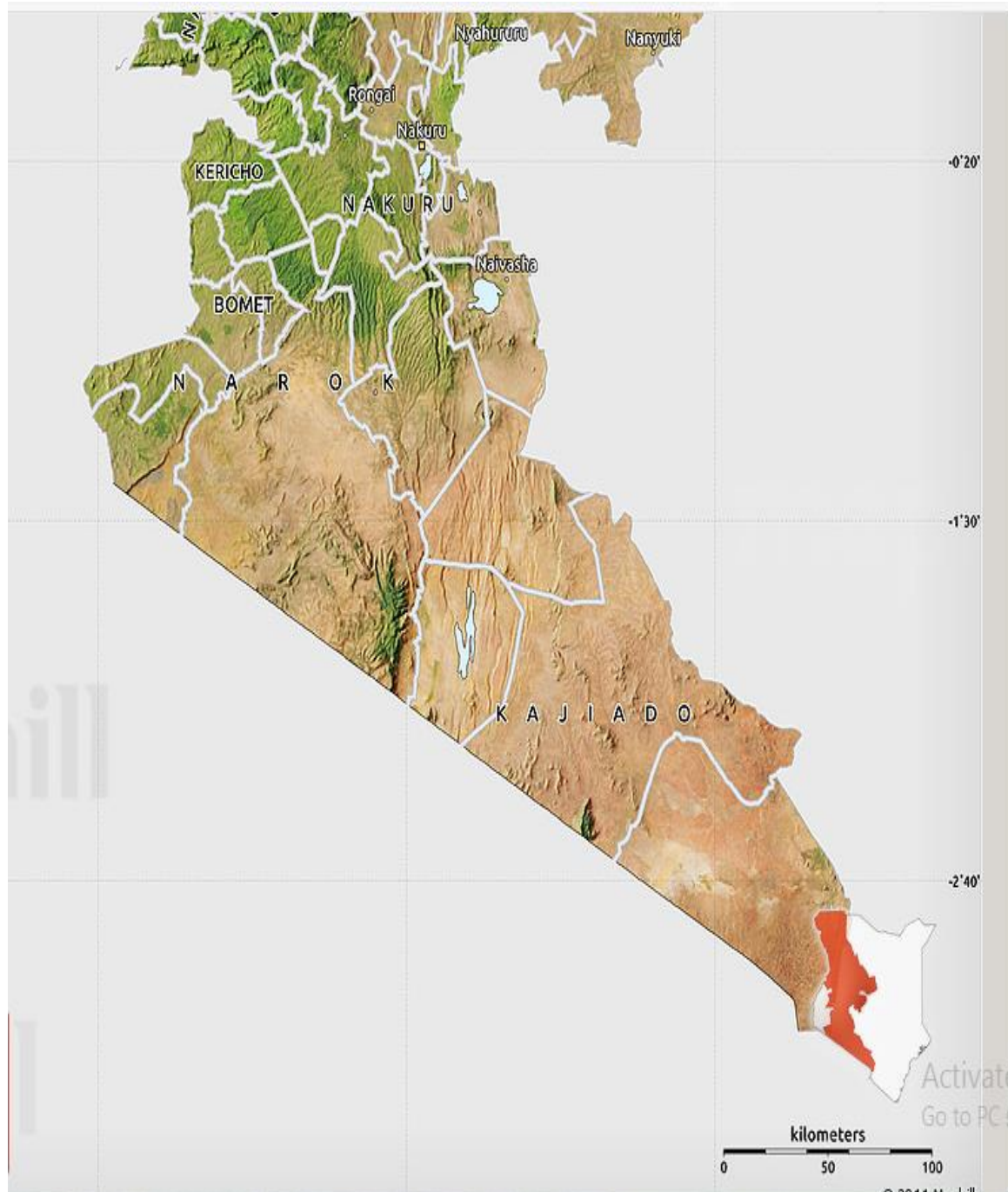
To whom it may concern

RESEARCH AUTHORISATION -MR. HILLARY BII.

I am pleased to inform you that you are authorized to undertake research as per the licence No. NACOSTI P/21/11117 dated 11th June, 2021 on ***“Relationship between Financial Distress Management Practices and Performance of Selected County Government in Kenya”*** during the month of 11th, June 2022.

J.N. NYAMWAMU
FOR: COUNTY COMMISSIONER
KERICHO COUNTY

Appendix X: Map of Study Area



Appendix XI: Publication