

**FINANCIAL MANAGEMENT PRACTICES AND QUALITY OF FINANCIAL
GOVERNANCE OF NAIROBI CITY COUNTY GOVERNMENT, KENYA**

ELIAS MWANGI MURIGI

D53/OL/CTY/26213/2015

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
ECONOMICS AND TOURISM IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA
UNIVERSITY.**

MAY, 2023

DECLARATION

I declare this research work as my original work which has not been presentment for examination in any other institution.

Signature

Date

Elias Mwangi Murigi

D53/OL/CTY/26213/2015

Supervisor Declaration

As the university appointed supervisor, It is my declaration that I have permitted this project to be submitted for extermination

Signature

Date

Dr. Salome Musau

Department of Accounting and Finance

School of Business, Economics and Tourism

Kenyatta University

DEDICATION

To my dear wife Martha Njeri, this research is dedicated to you and my children Ryan Murigi, Stacy Waithera and Evelyn Wanjiku. When I thought of giving up you acted as my inspiration and that gave me strength to complete the study.

ACKNOWLEDGEMENT

My sincere gratitude goes to Dr. Salome Musau for precious guidance and continuous advice and guidance in my work. It is through this that my ideas have come to a reality.

My special gratitude to the Kenyatta University lecturers in the department of accounting and finance, who provided me with academic advice that helped me reshape this project and provide me with knowledge appropriate for this level of study. Finally, I thank the Almighty God for graciously providing me with the chance and health to work on this project.

TABLE OF CONTENT

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
OPERATIONAL DEFINITION OF TERMS	x
ABBREVIATIONS AND ACRONYMS	xii
ABSTRACT	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Quality of Financial Governance in Nairobi City County Government	4
1.1.2 Financial Management Practices	5
1.1.3 Nairobi City County Government	8
1.2 Statement of the Problem	10
1.3 Objectives of the Study	11
1.3.1 General Objective	11
1.3.2 Specific Objectives	12
1.4 Research Hypotheses	12
1.5 Significance of the Study	13
1.6 Scope of the Study	14
1.7 Limitations of the Study	14
1.8 Organization of the Study	14
CHAPTER TWO	16
LITERATURE REVIEW	16
2.1 Introductions	16
2.2 Theoretical Literature	16
2.2.2 Accounting Process Theory	18
2.2.3 Stakeholders Theory	19
2.3 Empirical Review	20
2.3.1 Revenue Mobilization Strategies and Quality of Financial Governance	21
2.3.2 Budgetary Techniques and Quality of Financial Governance	23
2.3.3 Financial Reporting and Quality of Financial Governance	25

2.3.4 IFMIS and Financial Governance Quality	25
2.4 Summary of Literature and Research Gaps	28
CHAPTER THREE.....	32
RESEARCH METHODOLOGY	32
3.1 Introductions	32
3.2 Research Design.....	32
3.3 Target Population	32
3.4 Sampling Technique.....	33
3.5 Data Collection Instruments	34
3.6 Piloting.....	35
3.6.1 Validity.....	35
3.6.2 Reliability	35
3.7 Data Collection Procedures	36
3.8 Data Analysis and presentation.....	36
3.8.1 Empirical Model.....	36
3.9 The Diagnostic Tests	37
3.9.1 Multicollinearity Test	37
3.9.2 Normality Test.....	37
3.9.3 Heteroscedasticity Test	38
3.10 Measurement of Variables and Operationalization of Variables	38
3.11 Ethical Consideration	39
CHAPTER FOUR	40
RESEARCH FINDINGS AND DISCUSSIONS	40
4.1 Introduction.....	40
4.2 Response Rate.....	40
4.3 Reliability Analysis	41
4.4 Demographic Analysis	41
4.4.1 Gender of the Respondents	42
4.4.3 Respondents' Level of Education.....	43
4.4.4 Duration Worked	44
4.5 Descriptive statistics Analysis	45
4.5.1 Revenue Mobilization Strategy	46
4.5.2 Budgetary Techniques	48
4.5.3 Financial Reporting	50

4.5.4 Integrated Financial Management Information System.....	52
4.5.5 Quality of Financial Governance.....	54
4.6 Correlation Analysis.....	56
4.7 Diagnostic Testing.....	58
4.7.1 Multicollinearity Test	58
4.7.2 Normality	59
4.7.3 Heteroscedasticity Test	59
4.8 Inferential Analysis	60
4.8.1 Model Fitness	60
4.8.2 Analysis of Variance.....	61
4.8.3 Regression of Coefficient Results	61
4.9 Hypothesis Testing.....	63
CHAPTER FIVE	65
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	65
5.1 Introductions	65
5.2 Summary.....	65
5.3 Conclusions.....	67
5.4 Recommendations of the Study	68
5.5 Recommendations for Further Research	69
REFERENCES	70
APPENDICES	76
Appendix I: Research Questionnaire	76
Appendix II: Authorization Letter from Kenyatta University.....	83
Appendix III: Research Permit	84

LIST OF TABLES

Table 3.1: Distribution of the Target Population	33
Table 3.2: Sampled Population	34
Table 3.3: Operationalization and Measurement of Variables	38
Table 4.1: Response Rate.....	40
Table 4.2: Reliability Analysis.....	41
Table 4.3: Descriptive Analysis for Revenue Mobilization Strategy	47
Table 4.4: Descriptive Analysis for Budgetary Techniques	49
Table 4.5: Descriptive Analysis for Financial Reporting	51
Table 4.6: Descriptive Analysis for Integrated Financial Management	53
Table 4.7: Descriptive Analysis for Quality of Financial Governance	55
Table 4.8 Correlation Results.....	57
Table 4.9: Multicollinearity Test.....	58
Table 4.10: Normality Test	59
Table 4.11: Levene's Test of Equality of Error Variances.....	59
Table 4.13: Analysis of Variance	61
Table 4.14: Regression Coefficient	62
Table 4.15: Hypothesis Testing.....	64

LIST OF FIGURES

Figure 2.1: Conceptual Framework	27
Figure 4.1: Gender of the Respondents	38
Figure 4.2: Age of the Respondents	43
Figure 4.3: Education level	44
Figure 4.4: Duration Worked	45

OPERATIONAL DEFINITION OF TERMS

Budgetary Techniques: An annual process in which the government prepares and approves the budget. It usually starts with actual income and expenses for the previous year and continues into the new year. It is measured using budget planning, budget control and internal control.

Financial Governance: Using authority and power to manage an entity's financial resources. It is measured using public participation, financial transparency, financial accountability and oversight.

Financial Management Practices: a group of processes that local governments utilize to gather taxes, allocate public funds, make purchases, monitor finances, and produce audit results.

Financial Reporting: is the process of identifying and sharing financial performance and activity over certain time periods. It is measured using reliable reports, relevance reports and understandable reports.

Integrated Financial Management System: This is a software system incorporated to both county and national government financial activities to enhance transparency and accountability in financial matters. It is measured in terms of process automation, timely reporting and data storage.

Revenue Mobilization Strategies: the use of available resources by local governments to profit from money that's legally owed to them by people, businesses, and quasi-governmental organizations for

running their activities. It is measured using revenue policy, revenue administration and revenue compliance.

Quality of Financial Governance: Processes, systems, and structures in place to manage financial resources within Nairobi County.

ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
FEP	Finance and Economic Planning
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IGF	Internally Generated Funds
KAM	Kenya Association of Manufacturers
M&E	Monitoring and Evaluation
NACOSTI	National Commission for Science, Technology and Innovation
NCCG	Nairobi City County Government
PFM	Public Financial Management
PSB	Public Service Board
QFR	Quantitative Flow Ratio
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor

ABSTRACT

Devolution was deemed as a basis for improving and creating development channels in various parts of the country. The creation of counties in as much as it has spurred growth in various parts regions various cases of mismanagement of funds has been reported. The financial statement Auditor General report of Nairobi City County Government has had unfavorable audit opinion since the establishment of County Government in 2013. An unfavorable opinion means the auditor has gathered sufficient audit evidence and concluded that the financial statements include material and extensive inaccuracies. This study sought to investigate the effect of financial management practices on quality of financial governance in Nairobi City County Government, Kenya. The main aim included to determine the effect of revenue mobilization strategies, budget techniques, financial reporting and integrated financial management system on the quality of financial governance. The study was anchored on theory of participative budgeting, accounting process theory and stakeholders' theory. The study employed a causal research design. The study's target population was the 425 employees of Nairobi City County Government's finance and economic planning division. Using a stratified random sampling technique, a sample of 85 employees was chosen. The primary data was collected using semi-structured questionnaires. The study embraced multicollinearity and normality diagnostic tests. The results demonstrated a beneficial and significant relationship between revenue mobilization method and financial governance. Financial management strategy has a statistically immaterial outcome on the quality of financial governance with a p. value of 0.000 at 95% confidence level. Also, the findings revealed that income mobilization strategy has a positive and significant correlation with the quality of financial management ($r=0.782$, $p=0.000$). Also, integrated financial management has a positive and significant correlation with the quality of financial management ($r=0.787$, $p=0.000$). Budgetary strategies significantly and favorably impacted financial governance. Financial governance was positively and significantly impacted by financial reporting. Financial governance benefited greatly from the integrated financial management information system. The study concluded that having sufficient revenue compliance as well of mobilization policies enhances the quality of financial governance. The study also found out that sufficiency in budgetary controls enhances financial governance quality. In addition, financial reporting enhances quality of financial governance. IFMIS also had a significant association with the quality of financial governance. The study recommended that counties and other local governments should ensure there is sufficient revenue administration and mobilization policies, budgeting and financial reporting policies as well as proper utilization of IFMIS in order to achieve quality financial governance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial governance is critical in determining the prospect of success of a given public institution. Effective financial governance involves having policies, processes and systems that guarantee the existence of accountability, integrity and transparency as far as management of public funds is concerned. Being a county that doubles up as the nation's capital, there is need to ensure there is proper management of the county with effective financial governance being focal to the devolved government's ordeals (Marembo, 2013). The quality of financial governance is dependent on various factors that include; the organizational structure, financial management systems and how well the county adheres to various financial regulations and standards. Nonetheless, the quality of financial governance often varies depending on various factors and challenges that may face the county.

Devolution refers to the transfer of duties and authority from the national government to territory, local, and local governments. This includes authority over the health sector as well as control of resources and land (Kenya Association of Manufacturers, 2015). Decentralization creates new government units outside the direct control of the national government. The enactment of the Kenyan Constitution in 2010 gave County governments significant powers. It elevates the former local government from a subordinate level of government to a significant separate sphere with constitutionally defined functions, powers

and finances (Theuri, 2021). In addition to promoting good governance, local democracy, local service delivery and decentralization through decentralization.

Decentralized government units need to make sure that public resources are managed well, to deliver public services efficiently and effectively (Theuri, 2021). Detractors of decentralization frequently point out the inadequate governance structures of devolved governments, however good local financial management can help quell any possible critiques of decentralization. A number of factors can influence good regional financial governance through a number of factors in both transitional and emerging nations, according to Hits et al. (2011) and Shah (2007) adds that where local financial management practices are inadequate, there is a very good chance that funds from the local government will be used for reasons other than those for which they were allocated. This is in line with agency theory.

The majority of institutions rely on effective monetary management, resource management, and inventive marketing techniques to be successful (Lee, 2012). While it is necessary for establishment of efficient financial management practices, enough initial capital and a strong accounting system are merely the first step in forming a sound financial system (Marembo, 2013). Business owners can keep control over budgeting and the capacity to predict future financial conditions by putting in place an efficient system of financial procedures.

Local governments in developing nations continue to play limited role in provision of public services in some well-known nations like Brazil, according to Shah and Shah (2006). The share of local government in these countries continues to increase. Heavy restrictions on local government operations and a lack of funding are responsible for the relatively

reduced role that local governments play in developing nations (Smoke, 2001). As a result, local governments have little discretion over their expenditures and nearly none over how they raise revenue. The freedom to employ fiscal dividends from natural resource revenues to advance a state's financial sustainability is accorded to provinces and states in Canada, Colombia, and the United States, according to Watts (2008). The future of the district and the nation as a whole is secured through agreements between the central and local governments, according to Watts (2008).

According to a Price Waterhouse Coopers (2006) report, the characteristics of local government boards in Australia that are most frequently indicative of limitations in financial sustainability are minimal. In addition, the tendency of some municipalities to run into operational deficits, giving rise to the need to delay infrastructure renewal or under spending, especially on urban infrastructure which often recurs every year, creates a backlog, imposing constraints on financial sustainability (Bauman, 2013). A minority of locations also have restricted access to income valuation because of relatively moderate and fundamental annual rate changes and low initial rating.

According to Ocheni, Atakpa, and Nwankwo (2012), the Nigerian government has in theory created sound fiscal and monetary policies to support sustainable growth and development in all areas of the economy, but it is up to the government to put these policies into practice in order to get the desired outcomes. Lack of financial discipline is the issue that leads to excessive expectations that do not correspond to the realities on the ground. In reality, the National Assembly-approved annual budget of Nigeria's government is rarely carried out. As a result, over the years many extra-budgetary activities have been observed

in annual budget management, leading to financial and budgetary indiscipline (Marembo, 2013).

Public participation is governed under the Public Financial Management Act (Articles 117(5) and 125(2)) and Article 201 of the Kenyan Constitution. At the state and County Government levels, citizens can participate. This can happen at many stages of the procedure, such as when budget policy statements, budget strategy documents, and budget forecasts are published. They are also eligible to participate when a circular regarding the upcoming year's budget process is released. Public hearings must be held by the government so that citizens can express their goals and needs in order to help shape the budget for a specific year. The public can participate meaningfully in hearings when they are well-informed and given the information they require at the appropriate time.

1.1.1 Quality of Financial Governance in Nairobi City County Government

Proper power use and authority while administering financial resources of an organization is called financial governance. Although viewed as a key component of solid financial management, effective resource use, and accountability, good financial governance is also seen as the foundation for these aspects (Jaya, Ispriyarso & Natalis, 2020). An efficient financial management system is necessary for increasing resource efficiency, assuring high levels of transparency and accountability in finances of the organizational, and guaranteeing long-term economic success. The need to achieve the Millennium Development Goals (MDG) as well as the need of strong financial management practices for service delivery and poverty reduction is both highlighted in recent literature (Kamaruddin et al., 2021).

The secret to developing a successful business development program is financial management, which requires a thorough study to fully appreciate. This is a result of the historical environment, in which numerous regimes experienced crises related to development and legitimacy as a result of bad governance. According to Motubatse et al. (2017), effective public sector governance promotes wise choices and efficient resource usage, which in turn directs the prudent management of these stocks. Good governance can be characterized by in-depth analysis that applies critical stresses to improving the performance of public institutions and fighting corruption. This study measured the quality of financial management by public participation, financial transparency, financial accountability, and supervision.

1.1.2 Financial Management Practices

Financial management practices entail various processes, procedures and policies that a business, organization or even a county can embrace to effectively manage their financial resources (Kadim & Sunardi, 2022). Accounting, financial reporting, budgeting, and other financial tasks are implemented by businesses using financial management techniques, which are standard operating procedures (Wolmarans & Meintjes, 2015). Accountants and financial officers carry out these tasks while doing budgeting, asset management, as well as control. The company's policies and mission are supported by each element of financial practice, which establishes accountability and gives the essential guidance to complete the task (Kamande, 2015).

A sound financial management system is the foundation of good governance and company. This is supported by the assertion that financial management systems give internal and external stakeholders insight into and control over how businesses plan and use their

financial resources (Kadim & Sunardi, 2022). The most researched financial management approaches, according to the literature on decentralized organizations, are integrated financial management systems, budgeting strategies, and financial reporting (Anuar, Alwi, & Ariffin, 2019; Zada, Yukun, & Zada, 2021). Similar to that, these four methods were used in this study to evaluate their effects on the level of financial management in the City of Nairobi.

According to Bird (2010), an effective revenue mobilization strategy for government entities is an important prerequisite for the welfare of service delivery to the public. Because by empowering the community, domestic financial mobilization can inspire administrative and political accountability in addition to raising revenue (Oates, 2011). According to Bauman (2013), effective delocalization necessitates the provision of space and resources for all stakeholders to contribute to development. Raising of funds for decentralized government units, such as local governments in Kenya, is essential since providing public services by local governments requires the availability of sufficient revenue (Gituma, 2017).

Despite the fact that Scott (2016) admits the necessity of revenue collection in decentralized units, he argues that in addition to revenue collection, local revenue mobilization also needs to possess the critical ability to promote administrative and political accountability and openness. This is confirmed by the fact that it allows decentralized government entities to empower the people (Baumann, 2013). Successful decentralization of the government's finance function must provide leeway and ownership to promote development for all stakeholders, while devolved government acts as a tier of government and requires that effective service delivery depend on adequate funding

(Marembo, 2013). This study measures revenue mobilization strategy on revenue policy, revenue management, and revenue compliance.

Budgeting ensures that resources are sent to appropriators to carry out their spending programs (Lee, 2012). The local government's budgetary priorities are outlined in the budget, which also serves as a roadmap for upcoming transactions and activities. But households have more responsibilities than just paying taxes according to the law. Due to the fact that decisions for frequently utilized services like transportation, communal leisure, garbage collection, etc. are budgeted by the municipal government, the decision must also take the community's requirements and the city council's goals into consideration (Lundu, 2015). To achieve this, the budgeting process must provide effective criteria for assessing and evaluating cost pressures versus manageable local economic capacity (Fan, 2015). In this study, budgeting techniques were measured against budget planning, budget control, and internal control.

Achim (2014) asserts that a crucial requirement for the accounting system's efficiency and usefulness is the quality of financial reporting. The key function involves provision of information for economic decisions enhanced by financial services showing certain qualitative features. According to Nderitu (2018), financial information contained in the county government's financial reports is very significant in decision-making and tracking of the achievements through financial governance. He added that standards set on quality of financial reports are significant in accountableness and openness enhancement. The use of established standards leads to increased reporting quality and fewer problems. Tysiac (2020) elaborates that there are ten key elements in financial statement reporting grouped further to four components. Income statement has expenses and revenues, balance sheet

has liabilities, assets and equity, cash flow statements show investments and distributions, and finally the fourth component, which is changes in equity, shows losses and gains (Baumann, 2013). In this study, financial reporting were measured using reliable reports, relevance reports and understandable reports.

One of Kenya's Public Financial Management (PFM) efforts is the Integrated Financial Management System (IFMIS). Government agencies at both the national and county levels use the Oracle-based Enterprise Resource Planning (ERP) system IFMIS. Its goal is to increase transparency and accountability. The fundamental PFM systems of budget creation and implementation, public procurement, and financial reporting have been changed. Wanyonyi and Theuri (2021) assert that the greater transparency of the government's financial activities made possible by IFMIS has contributed to the careful and transparent utilization of public resources. Additionally, it has enabled data cross-referencing with other government organizations, which has significantly decreased the likelihood of fraud. In this study, IFMIS was measured in terms of process automation, timely reporting and data storage.

1.1.3 Nairobi City County Government

British colonial officials in East Africa founded Nairobi in 1899. According to Quick et al. (1993), the name refers to a place of cool waters as translated from *enkare Nyrobi*; a Maasai phrase. In 1907, it replaced Machakos as the capital city of Kenya. It is one of the 47 counties in Kenya created after the conversion of the Nairobi Province under the new constitution of 2010. Besides, it is the most populous of the 47 counties yet the third smallest. The county is given the largest portion of the funds allotted by the federal government. Due to the presence of numerous significant firms, it also generates a lot of

revenue to fund various county initiatives and activities (Theuri, 2021). According to the Kenyan constitution, Nairobi began operating as a county government in 2013. The government had already budgeted for the implementation of IFMIS in the counties as immediately after each county government starts its operations. As a result, as soon as the county government operations were authorized, Nairobi incorporated IFMIS into its operations. According to Lundu (2015), the moderate level of implementation of IFMIS in the NCCG administration was caused by many county-level variables. Additionally, Lundu (2015) emphasizes how the system affects cost, efficiency, and quality, which in turn affects how well the county performs. Finally, the study concluded that the system may not work as expected due to system implementation issues in the Nairobi City County Government (NCCG).

Reports provided by office of the Auditor General reflect unfavorable audit opinions that are frequently provided on NCCG financial reports. This indicates that general recognized accounting principles were not followed in the production of the statements (Yasseen et al., 2020). According to BDA (2021), NCCG continues to fall short of conditional funding totaling more than 500 million shillings each fiscal year. The report also highlights misappropriation and disregarding the requirements laid forth for such money as the cause of conditional grants not being received. From all the 47 Kenyan Counties, NCCG was the only ranked in best 10 for roads and transportation from the fourteen parameters taken into account, according to Infotrak (2020). This indicates that it is one of the least productive counties in the nation. This indicates an issue with the county's level of financial governance, which supports the study's objectives.

1.2 Statement of the Problem

Numerous duties have been transferred from the National government when the county government was established in the beginning of 2013. Since then, County governments have been in charge of managing billions of Kenyan shillings, the majority of which come from the national coffers. The County administration is in charge of overseeing community development initiatives and determining Kenya's rate of economic expansion (Theuri, 2021). But since 2013, the majority of county administrations have recorded budget deficits, making it difficult for them to effectively finance current and development costs in their areas of responsibility. The above is manifested in the inability of some County governments to pay suppliers and contractors on time and therefore indebted (Lundu, 2015). The numerous labour strikes by decentralized government employees, such as the most recent one by Kenyan public health workers, further puts the problem of budgetary difficulties into perspective.

Several counties in Kenya were unable to use the Ksh 339.6 billion allotted to them in the fiscal year that concluded on June 30, 2018, according to the Fourth Quarter 2017/2018 Budget Performance Review Report. This amount exceeds Kshs. 75 billion, according to statistics, which were not spent during the prior fiscal year. During the fiscal years 2017–2018, counties only used 814.7 billion of the 1.15 trillion shillings allotted for spending. This is true even though more resources have been made available for development in an effort to boost the economy. According to the report, the counties spent Ksh 193.9 billion, or 44.4 percent, of the Ksh 437.1 billion that was allotted for development (Controller of the Budget Report, 2019). Nairobi county has also been on the receiving end given that the county reportedly misappropriates at least 500 million annually in conditional grants.

Moreover, in 2019/2020 financial year, a deficiency of roughly Sh 6.73 million was left after Nairobi County collected Sh111.38 million but only deposited Sh104.65 million, according to the audit report (Okong'o & Kiruja, 2023).

Among the counties that face financial challenges in Kenya, Nairobi County is not left behind, and this underlines the necessity of this study. The report of the auditor general reports provides a qualified opinion of the financial statements. By gathering sufficient relevant audit evidence, the auditor forms an unfavorable view and concludes that material and persistent financial statement inaccuracies exist (Sentao, 2018). Sentao (2018) expresses a negative view of NCCG financial statements based on the omission of balances, variances in expenditures, outstanding accounts, unauthorized reallocations, and unaccounted funds. This is the tendency as demonstrated in several auditor general reports over the years.

Every sector of the economy needs good financial governance, which draws heavily on other functions within an organization (GOK, 2011). The kind of financial management methods used in a business may be linked to poor financial governance. This study expanded the field by analyzing financial strategies on Nairobi City County Government in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to determine the effect of financial management practices on the quality of financial governance in Nairobi City County Government, Kenya.

1.3.2 Specific Objectives

The study's specific objectives include;

- i. To determine the effect of revenue mobilization strategies on quality of financial governance in Nairobi City County Government, Kenya
- ii. To assess the effect of budgetary techniques on quality of financial governance in Nairobi City County Government, Kenya
- iii. To find out the effect of financial reporting on quality of financial governance in Nairobi City County Government, Kenya
- iv. To establish the effect of integrated financial management system on quality of financial governance in Nairobi City County Government, Kenya

1.4 Research Hypotheses

The study tested the following null hypothesis:

- i. Revenue mobilization strategies have no significant effect on Nairobi County financial governance quality in Kenya
- ii. Budgetary techniques have no significant effect on Nairobi County financial governance quality in Kenya
- iii. Financial reporting has no significant effect on Nairobi County financial governance quality in Kenya
- iv. Integrated financial management system has no effect on Nairobi County financial governance quality in Kenya

1.5 Significance of the Study

Many different groups, including county governments, policymakers, members of civil society and international organizations, academics, researchers, and the general public, will find this study to be essential. The results of this study are anticipated to be helpful to local governments by giving management information on different financial management strategies that affect the caliber of financial management. Implementation of efficient financial management techniques will be able the management improve financial management level.

The function of financial management methods in raising the standard of financial management in counties will become clearer to policymakers. This study finding is anticipated to serve as a roadmap for the creation and improvement of policies and rules pertaining to regional financial management and governance.

This study will also be useful for civil society and international organizations to understand financial management practice's role in achieving quality financial management among decentralized entities. Relevant data about the interaction between financial management techniques and financial management will be available to academics and researchers.

Additionally, this research will add to the existing empirical literature on financial management practices and financial governance, laying the groundwork for future studies.

This will complement existing knowledge and also identify possible areas for improvement. The general public will benefit from timely and quality service delivery.

Good financial management means that local resources are used well and therefore communities can enjoy better services.

1.6 Scope of the Study

The current study aimed to evaluate how financial management techniques affect the effectiveness of financial governance in the Nairobi County. The key financial management practices included revenue mobilization strategies, budgetary techniques, financial reporting and integrated financial management system. Research took place in Nairobi City County Government. 425 finance and economic planning department employees working in the county was the target population. The participatory budgeting theory, accounting process theory, and stakeholders' theory serve as the foundation for this study. The research covered the period between January and October 2022.

1.7 Limitations of the Study

Primary data sourced from different individuals in FEP department in NCCG was used where some were reluctant to give their personal information or fears regarding breach of confidentiality and privacy. The challenge was overcome by giving the respondents highest standards of integrity and secrecy. Besides, some of the respondents were not available at the time of survey, an aspect that prompted having zoom meetings to overcome the challenge.

1.8 Organization of the Study

This project was categorized into three chapters. Background, definition of the topic, aims, research hypotheses, significance, scope, constraints, and research organization are covered in Chapter one. Chapter two provides a theoretical and empirical overview related to securities financial management practices and financial management. A conceptual framework and a table containing a literature review table and identified research gaps can

be found in of chapter two. The third chapter elaborates research design adopted by the study, sampling strategy, targeted population, techniques used for data collection, methods of data analysis, as well as ethical considerations by the study. The results of the study and discussions are presented in chapter four. Chapter five presents an overview of the results, conclusions, and suggestions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introductions

This section focused on literature review and also discussion on financial management practices and financial governance. This chapter had four sections. Theoretical literature provided in the first section, section two is on empirical literature, section three was a tabulation of literature review summary and research gaps, while the last section representations conceptual framework.

2.2 Theoretical Literature

The theories related to financial management and quality of financial governance were reviewed in this section.

2.2.1 Theory of Participative Budgeting

Lewis developed the participatory budgeting idea in 1952 while attempting to apply the marginal utility principle. Lewis contends that observers ought to pay more attention to expanding public spending in the periphery. This view stems from the fact that the analyst has the potential to find a break-even point at which the same return is achieved for all incremental costs. The relative value of these improvements can be examined in terms of how effective they are in meeting the overall goal.

According to Fabbozi (2010), budgeting theory explains that it is a continuous process that includes five key phases. These phases include screening and selecting investments to find projects that are in line with the management-identified company strategy or the project,

particularly when evaluating and reviewing projects to determine how they may affect future cash flows. The capital budget proposal comes in at stage two, which is followed by budget approval and issue of permissions. Project follow-up is the fourth step, and a post-completion audit is the fifth stage. The latter's goal is to show how realized benefits line up with the original plan.

This study examines the practice of financial planning and budgeting using participatory budgeting theory. The task of figuring out how a company plans to attain its strategic goals is known as budgeting approaches. While private sector companies create financial plans, public sector organizations immediately create budgets after identifying aims and goals. Both a financial plan and a budget plan outline all the actions, assets, tools, and supplies required to reach the objective, along with the necessary timing.

Participatory budgeting has been the most successful participatory tool in the last two decades, appearing in 12 Brazilian cities in 1990 and expanding to more than 300 cities worldwide in 2005 (Shah, 2007). It was created in 2010 when Kenya adopted a new constitution. The budget for the state's fiscal year specifies the estimated revenues, costs, and objectives. Before being submitted to the national or county assembly, budgets must be authorized by the chief executive and ratified by the legislature. The Kenyan Constitution's Article 201 lays out the fundamentals of public finance and mandates transparency, accountability, and public involvement in financial decisions. Consequently, the community must participate in budgeting. Budgeting authorities, such as district councils and cabinets, have a duty to ensure public participation in the budgeting process (TIK, 2014). This theory will aid in elaborating the impact of budgetary techniques of

financial governance on financial management practices and the effect of integrated financial management system.

2.2.2 Accounting Process Theory

Accounting process theory allows the development of a framework that helps ensure that accounting practices meet the requirements of consistency and conformity (Kershaw & Harrell, 1999). This theory is laid forth as a collection of rules, ideas, and techniques. A standard approach for accounting implementation is necessary to ensure that all pertinent information connected to economic activity is captured due to the expanding size and complexity of economic systems. Everyone participating in the accounting process must be aware of this admittance procedure. However, familiarity with accounting theory and knowledge of its structure are prerequisites for this comprehension (Chepkorir & Njeru, 2015).

According to Chekorir and Njeru (2015), the theory behind the accounting process is founded on a number of different economic principles. First, it is founded on ideas that are widely accepted inside a society's economic structure. For instance, the fact that someone can own property is a fundamental economic truth because everyone has the legal right to do so. Second, these fundamental economic facts follow natural laws that dictate those specific causes result in specific outcomes.

Understanding financial reporting and how businesses utilize effective tactics to direct their financial accounts is made easier with the aid of accounting theory. It offers advice on accounting practices and functions essentially as an accounting practice framework. This theory typically considers the fact that accountants work under the idea that there are differences between business and reporting on a monthly, quarterly, semi-annual, or annual

basis (Malmi & Granlund, 2009). This theory offers direction on the practices financial managers should follow to guarantee the accomplishment of an organization's economic objectives. This theory will aid in elaborating on revenue mobilization strategies and integrated financial management and their subsequent impact on financial management practices.

2.2.3 Stakeholders Theory

The Swedish academic Erik Renman is credited with developing the stakeholder theory (1964). The second is recognizing the impact of the company's "important" internal and external stakeholders. The original stakeholder map developed by Eric Renman for commercial purposes recognizes stakeholders' larger organizational backgrounds. This stakeholder map was modified by Edward Freeman and used in his work two decades later (Strand & Freeman, 2013). Freeman (1984) effectively popularized stakeholder theory with his seminal work, and many scholars have taken his research as a basis for interpreting stakeholder theory.

Erik Renman, a Swedish researcher, developed the idea of "shared interest" as a key concept for stakeholders (Strand & Freeman, 2013), according to which the firm's position generates value for stakeholders and the company through stakeholder connections. Academics (Parmar et al., 2010; Freeman, 2011) go on to say that businesses should explore how to produce value based on their obligations and look at the common interests of stakeholders. Friedman's (1970) perspective continues to be a surprise contrast to mainstream corporate social responsibility theory, given that stakeholder theory is increasingly moving beyond discussions over whether businesses should prioritize shareholder returns over societal obligations (Agle et al., 2008). Friedman questions

corporate social responsibility, contending that rather than ensuring the prosperity of their stakeholders, corporations' primary objective is to maximize corporate social responsibility.

Stakeholder theory, according to certain analysts like political scientist Charles Blattberg, is problematic. The interests of several actors cannot be balanced against one another, according to critics. This is due to the fact that they represent a huge and varied range of stakeholders, and not all stakeholders can be satisfied. Conflict can result when two or more actors are forced to stand behind one who is more dominating. The advantages of the stakeholder principle would be defeated by this. Additionally, some stakeholders might think their opinions don't have as big of an impact as those of others. Different degrees of power and control scope may present another difficulty. Even people who appear to be more powerful might not feel like they are succeeding.

This study, which aimed at determine whether there is a specific influence on stakeholder engagement in financial management quality of the City of Nairobi, is related to the stakeholder principle. Establishing a network of connections with institutional stakeholders, such as communities, personnel, and central government, enables this. In this study, NCCG is expected by various stakeholders to achieve quality financial governance. The theory, therefore, anchors the quality financial governance construct.

2.3 Empirical Review

This segment expounded on relevant literatures that are closely related to IFMIS financial reporting quality. In consideration of the specific objectives of the study in relation to different scholars' work having a higher index of relevancy to the research.

2.3.1 Revenue Mobilization Strategies and Quality of Financial Governance

Effective revenue mobilization from district assemblies is examined by Adu-Gyamfi (2014) using the Upper East Denkyra Municipal Assembly in Ghana as a case study. This study's research design is a hybrid that utilized qualitative and quantitative research techniques. Convenient and targeted samplings were both used, and the sample size was 85. According to the poll, the top sources of internal funding were real estate prices, licenses, market fees, and truck parking fees, with percentage ownership being the main source of the assembly's internally generated funds (IGF). Some of the other problems the research highlights as limiting revenue mobilization include a lack of knowledge on revenue sources, a failure to implement regulations controlling revenue mobilization, and inadequate tax collector education. The stakeholder concept is relevant to this study, which aims to ascertain whether there is a particular influence on stakeholder engagement in financial management of NCCG. This is made possible by creating a network of links with institutional stakeholders including communities, employees, and the federal government. The study was conducted in Ghana, a country with a climate different from Kenya's. This research is being done in Kenya.

In order to improve local income mobilization in NCCG, Mutua and Wamalwa (2017) identify possibilities and difficulties. Local revenues are also crucial for promoting responsibility and financial restraint in local administrations. According to the study, though local tax collection in Nairobi County ostensibly increased between 2013/14 and 2015/16, it has persistently lagged behind the desired level. The researchers discovered that the NCCG lacks a thorough policy and legal foundation to support its income regime,

which has an impact on income mobilization such as property prices, which account for approximately 30% of local revenue and whose regulations are out-of-date. Low compliance is due to the lack of taxpayer awareness campaigns and other participatory initiatives by local governments. However, the survey was conducted in 2017 and there may have been changes.

Torome (2013) investigates the connection between Kenyan local government performance and income mobilization. This study has 175 local governments as its target group and employs a descriptive research design. The study's sample size included 35 local governments which were chosen using targeted sampling. This study's foundation is secondary data on local governments' service provision and revenue collection. According to this report, local government has been more effective in raising revenue. Local governments perform better when there is a larger level of mobilized income. Additionally, it was discovered that municipal governments with minimal mobilized income underperformed. According to the study, revenue mobilization by local governments is significantly impacted by their budgeting. In order to decrease the number of tax evaders and form enforcement teams, organizations that do this, having failed to pay taxes, it is proposed that local governments outsource revenue collection by awarding contracts to people or corporations to do so on their behalf. Less tax evasion will occur as a result, increasing tax revenue. The descriptive research design for this study was only employed for the descriptive analysis part. The causal research approach was employed in this study to identify relationships between the variables.

In Kenya's County government, Kinoti and Kagiri (2016) looked at the variables that affect income mobilization of county governments in Kenya. A descriptive case study design was

used in this investigation. 150 employees from the tax and administrative section were the study's intended audience. A sample of 50 people, representing 30% of the target demographic, was chosen. The study's findings revealed that the central government's policies had a considerable detrimental impact on revenue mobilization. The findings also demonstrate that the counties financial management significantly enhances revenue mobilization.

2.3.2 Budgetary Techniques and Quality of Financial Governance

Shah (2007) asserts that the budget is a crucial tool for financial management that is utilized to monitor and regulate the operations of substantial and varied institutions. In addition to other public organizations, business and industry, private families, and the government—where budgeting initially appeared—they all make use of them. Regional budgets are a crucial tool for planning, creating policies, and evaluating how they are being carried out. Allocative efficiency, operational or technical efficiency, and preserving budget discipline are the three basic objectives that any effective budgeting process must accomplish. This study only focuses on the impact of decentralization and service delivery in districts. Budgeting techniques and quality of financial management in the NCCG were the main focus of this study.

Pimpong and Laryea (2016) used data from non-bank financial organizations in Ghana to assess the impact of budgeting on operational effectiveness. This study adopted a quantitative research methodology. Primary data was collected by aid of questionnaire to determine the effectiveness of the budget as a tool of financial management in non-bank financial companies. To create a model, this study used a step-by-step methodology. Regression analysis is also used to assess the breadth and magnitude of the connection

between budgeting and business performance. The results demonstrated that the correlation between organizational performance and budget coordination was statistically significant and favorable. As Ghana is not the same as Kenya, where this study was conducted, it is not practicable to extrapolate the findings to the local situation.

In Kenya, Cheruiyot, Namusonge, and Sakwa (2017) examined how financial planning and budgeting procedures affect local government performance in Kenya. In terms of managing public resources and providing services, this study intends to add a new perspective to policymaking. Even though different districts use district integrated development plans as the major planning document for all projects and programs. Timely disbursement and resource allocation were discovered to have always been the main methods of implementation. Unlike this study, which focuses on the quality of financial management, this research is more concerned with the overall effectiveness of local governments.

Ndzovu (2019) investigated the impact of IFMIS on financial performance. The Kwale County research looked at how e-procurement and automated financial reporting affected county performance. Planning, information, efficiency, and the standard of the procurement process were the main topics. Employees in the county who work in economics and planning were the focus of a descriptive study approach. Use of the electronic method significantly impacted on the county's performance. Since there was transparency throughout the process, all potential accounting problems were addressed. The report suggested enhancing the system to address county budget management issues. The study adds that reporting using the system improves financial performance. Gap created by the study considering financial reporting as independent variable that

performance depends on. By utilizing a different methodology and employing financial reporting as the dependent variable, the current study seeks to close the difference.

2.3.3 Financial Reporting and Quality of Financial Governance

The efficiency of financial reporting in a few Kenyan government ministries was the subject of a research by Waweru and Ngaba (2019). The study examined the benefits of using technology in financial records to improve annual account generation. The technology can improve production of financial reports on real time utilized in making sound decisions, according to the study. It concentrated on how well the Kenyan government departments' systems functioned overall. The main focus of the study was the system's overall effectiveness in Kenyan government ministries. The effectiveness of the NCCG system for financial reporting was the main topic of this study.

Cherono (2016) looks at how financial reporting affects Kenyan government organizations' accounting. The study evaluated how the system has boosted financial reporting timeliness and improved access to financial data. The study found that the system has no downtime and makes it simple to store and retrieve records. As a result, the system has improved the timeliness of financial report filing, according to the study. Through properly documented data in the system, organizations efficiently transmit financial information among the departments. This study concentrated on financial reporting in NCCG while the previous study concentrated on general accounting procedures in government organizations.

2.3.4 IFMIS and Financial Governance Quality

Mwaniki (2012) evaluated IFMIS efficacy in the public sector of Kenya. The study determined the influence of organizational capability, cultural variables, and technology

sophistication on financial reporting in various public sectors. Only primary data were used and descriptive research design adopted. The outcomes found that human resources (HR) were an important resource, the system included a number of different parts, and it was key to enhancing public finances. Due to a lack of clarity in the system specification for the duties to be performed, IFMIS was unable to assure adequate financial management in the public sector. According to the study, if the system is not correctly developed, the accounting and financial goals won't be met. The study only concentrated on the implementation process, while this study focused on the relationship between IFMIS and quality of corporate governance.

Chumba (2014) found that by coordinating resources, IFMIS improves efficacy and efficiency in financial problems. This is the result of research on how IFMIS affected cash management in the Eldoret West District. Using descriptive statistics, the system's dependability and security were examined severely. This study considers the greater population at the county level when addressing the population gap. Through employee training on upcoming operations and regulatory requirements, human resource capacity is increased. Since the system generates information consistently, timely, and adequately, any modifications are rapidly implemented. The study considered only cash management unlike the proposed study that included several aspects relating to quality of financial governance.

Muigai (2012) conducted research into how IFMIS affects financial management. The survey was conducted in Kenya's public sector and targeted government organizations. A significant workforce, internal support, financial resources, management change, and dedication are necessary for IFMIS success. Organizational performance is strongly

influenced by the standard of the systems, information, and services. To make reporting through the system easier, interim arrangements are maintained. The new study's focus is on additional IFMIS components; the previous study only focused on the ICT subcomponents.

The impact of IFMIS on the caliber of financial reporting was examined by Chalu (2019). The Tanzanian local governments were the subject of the study. The study's secondary data makes it clear that employing the system to record ensures that established international standards are followed. Every financial transaction that occurs is taken into account in the process. The qualitative traits indicated that although the reports' relevance was not significant, there is a substantial influence on the reports' understandability and dependability. The recording procedure is automated, making it simpler to store financial information about a particular organization. Information completeness and openness are improved through the IFMIS recording procedure. The dependent variable of the study was quality of financial reporting but this study focused on the standard of financial governance.

2.4 Summary of Literature and Research Gaps

Table 2.1: Summary of Literature and Research Gaps

Author (s)	Topic	Findings	Study Gaps	Addressing the Gaps
Shah <i>et al.</i> (2007)	Decentralization and service delivery	Large and diversified institutions use budgets as a key financial management tool to guide and oversee their operations.	The study focused solely on the impact of decentralization and service delivery in various counties.	This study focused on financial management practices in Nairobi County. Also, financial governance was studied
Mwaniki (2012)	the impact that culture, capacity, and technical complexity have on financial reporting in various public sectors	The system's integration of numerous components, including human resources, made it a crucial resource for restructuring public finance.	The study only considered the implementation process of the system	focusing on the usage of IFMIS where the researcher considered only implementation process
Chumba (2014)	The effects of IFMIS to cash management in Eldoret West District	The dependability and adaptability of the IFMIS are advantageous for financial management.	The research considered only cash management	The current study included several aspects of financial management practices including revenue mobilization strategies, budgeting techniques, and financial reporting

Adu-Gyamfi (2014)	Effectively Mobilizing District Assembly Revenues: A Case Study of Upper East Denkyra City Councils in Ghana	The challenges preventing revenue mobilization include poor knowledge of sources of income, inappropriate application of regulations governing revenue mobilization, and inadequate income collectors and their training.	The study focused on Ghana as a nation	The study focused on Nairobi County. In addition, to revenue mobilization, this study looked at budgeting strategies, financial reporting and financial governance
Pimpong and Laryea (2016)	Budgeting's effect on Business Performance	The findings demonstrate that budget coordination and organizational success are statistically significantly correlated.	Generalizing study results to the local context is not practical.	This study was conducted in Kenya
Chalu (2016)	Impact of IFMIS on Accounting by Government Agencies in Kenya	The study found that although there was little change in the reports' relevancy, there is a considerable influence on the reports' reliability and understandability.	The study focused on financial reporting quality as the dependent variable.	This study focused on financial governance quality.
Kinoti and Kagiri (2016)	Factors affecting Kenyan County governments' ability to raise revenue	Enhancing Self-Revenue Mobilization in the City of Nairobi: Problems and Opportunities	The study concentrated revenue mobilization as the dependent variable	This study uses revenue mobilization as an independent variable to investigate the on the quality of financial governance.

Ndzovu (2019)	The effects of IFMIS on financial performance	Using IFMIS system improves financial performance	The study focused on financial performance	This study focused on quality of financial governance
Waweru & Ngaba (2019)	Efficiency of IFMIS in specific Kenyan government agencies	The real-time production of financial reports utilized in the decision-making process can be improved by the IFMIS system.	The system's overall effectiveness in Kenyan government ministries was the study's main focus.	The effectiveness of NCCG's financial reporting system was the study's main focus.

Source:Researcher(2023)

2.5 Conceptual Framework

Figure 2.1 shows the relation between the independent and dependent variables. The independent variables comprise of financial management practices: Revenue mobilization strategies, budgeting techniques, financial reporting and IFMIS. The dependent variable is quality of financial governance.

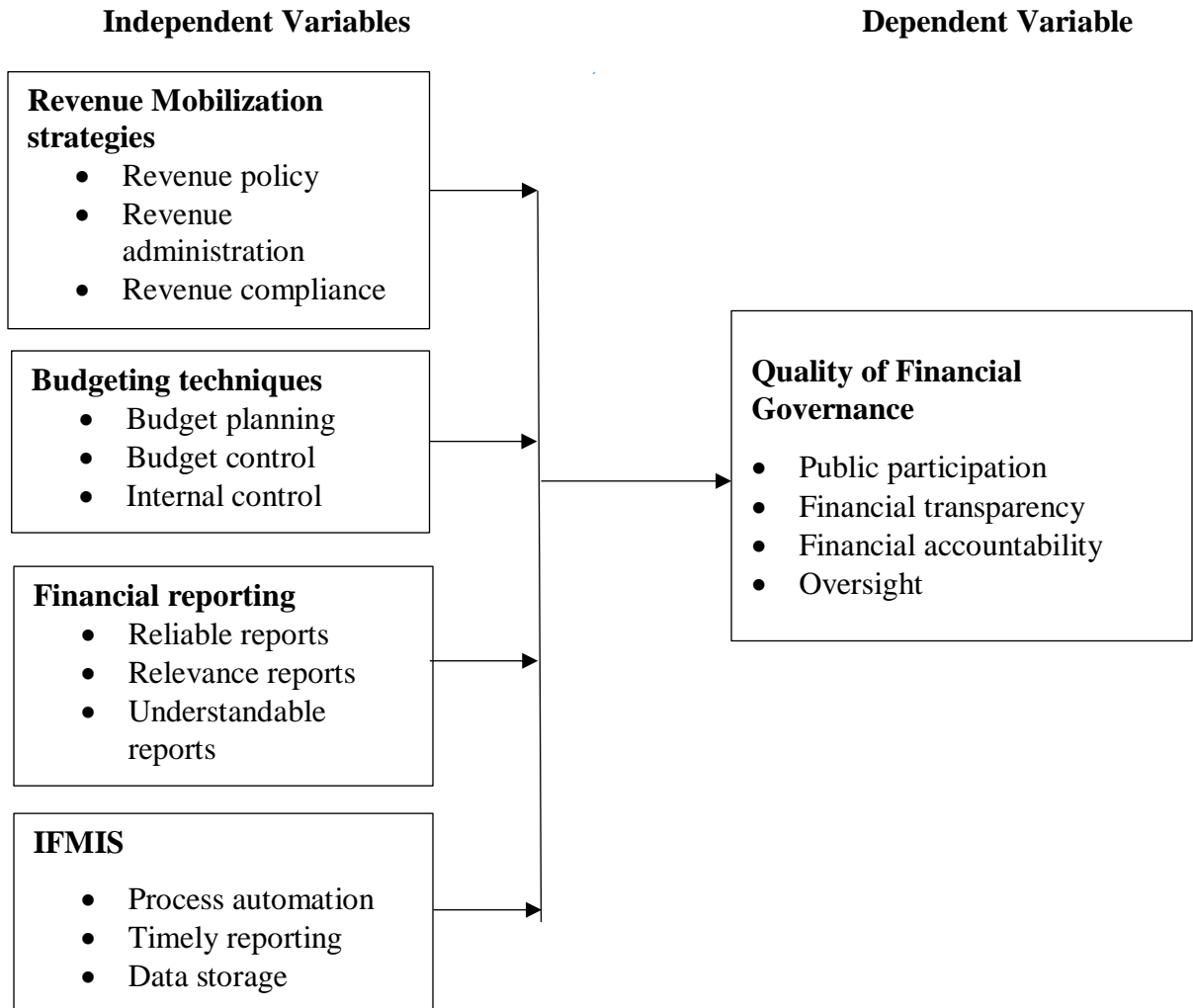


Figure 2.1: Conceptual Framework

Source: Researcher(2023)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introductions

This chapter focused on the research design, target population, sampling strategy, data collection techniques and tools, data analysis and piloting, diagnostics tests to be embraced and research ethics.

3.2 Research Design

Design is a plan by a researcher that responds to all research question under study. Kothari (2014) defines design as a layout or plan on gathering, measuring and analyzation of research data. The researcher employed a causal research design portraying evidence of cause-and-effect relationship (Hair et al., 2015). All the changes that occur to dependent variable assumed to be as result of variation in independent variables. The study on financial management and governance of NCCG employs causal design due to assumption that change in quality of financial governance is a result of using financial management practices (Kothari, 2014).

3.3 Target Population

Target population refers to the notion of accounting for the full group of individuals or objects in any field of research (Kothari, 2014). The elements of a population share the same traits. The NCCG workers in the Finance and Economic Planning (FEP) department formed the study's target population. The NCCG assigns the FEP department the duties of stores, revenue collection, rate collection, debt collection, accounting services, and technical services. The County Public Service Board (PSB) indicated that the target

population of this study consisted of 425 employees in the FEP department as of June 2020 (Onyango & Hyden, 2021).

Table 3.1: Distribution of the Target Population

Units	Number of employees
Procurement	34
Stores	87
Revenue	67
Rates	48
Debt	114
Accounts	21
Technical services	54
Total	425

Source: Nairobi City County PSB (2020)

3.4 Sampling Technique

A sample is population subset in a given area of study where specific standards determine it. The researcher utilized stratified random sampling because it provided a decent representation of the entire population and therefore more precision. According to Kombo and Tromps (2006), this method involve use of some defined features to group population into subpopulation called strata then taking some random samples from them to form the required sample. Kothari (2014) clarifies that with truly represented population results from sample can be generalized. Mugenda and Mugenda (2013) claim that if 10% or more of the entire population makes up a sample, that particular sample size is sufficient to support reliable data for analysis when the target population is below 10,000. In this study, a sample of 20% of the entire population was used. The stratified random sampling technique was used to choose a sample size of 85 workers.

$$n_h = \left(\frac{n}{N}\right) * N_h$$

Where n is sample size, N is population size, N_h is stratum population size and n_h is the required stratum sample size.

Table 3.2: Sampled Population

Units	Target population	Sample Size	Proportion of the Sample (%)
Procurement	34	7	8
Stores	87	17	20
Revenue	67	13	15
Rates	48	10	12
Debt	114	23	27
Accounts	21	4	5
Technical services	54	11	13
Total	425	85	100

Source: Researcher (2023)

3.5 Data Collection Instruments

Collection of data involves drawing out information, realities or evidence on study problem from a given data source (Babbie, 2002). The study intended to use primary information gathered through questionnaires. Mugenda and Mugenda (2003) opined that questionnaires have low cost, large audience availability, time saving and offer high degree of comparability in data collection for research. In administration of the study questionnaire, the drop and pick method was used, which had a matrix structure and open-ended questions. The NCCG department of finance and economic planning gave each sampled employee a week to respond.

3.6 Piloting

Prior to gathering information about the intended population, the piloting phase was conducted. According to Kothari (2014), piloting is important in testing if data collection instruments are suitable in obtaining correct data and easily understood by the respondents. The researcher selected 10 employees working in County Government of Machakos for piloting purposes. This lessened the likelihood that someone who took part in the piloting procedure would also take part in the actual data collection process. The piloting eliminated minor errors and improved the research questions hence reducing the problems that respondents could have faced.

3.6.1 Validity

Range of data collecting instrument producing what it was intended to produce signifies the validity level. According to Bolarinwa (2015), validity implies accuracy, unbiased and accurately predicted research data and methods of data collection. Careful planning is important for relevancy of information that the study sets as the objectives to achieve. The procedures and the questionnaire used should collect complete and accurate data. Conducting a pilot study to evaluate any areas of need and provide a strong foundation for data collection. Through the aid of supervisor and fellow colleagues the questionnaire content were enhanced thereby meeting all the study objectives.

3.6.2 Reliability

According to Mahajan (2017), stability and consistency of the data defines reliability measurement. The instrument should produce similar results using different methods. The questionnaire was designed in simple short format to enhance its reliability in data collection by avoiding unnecessary confusions. The accuracy of the data was enhanced by

the piloting process. The Cronbach's alpha statistic, which gauges the internal consistency of data produced, using SPSS, was used to evaluate the accuracy of the data. A 95% confidence level is achieved with a significant level of 0.05 or 5%.all variables were considered appropriate as they had alphas of above 0.7.

3.7 Data Collection Procedures

A letter authorizing the research was obtained at Kenyatta University and obtained a permit from NACOSTI. These two documents served as the researcher's introduction and identify to the target group, as well as a reminder of the requirements for doing research. The researcher scheduled meetings with department heads and secretaries to provide an introduction and go over the questionnaire administration process. The researcher employed a drop and pick later strategy. A self-administered questionnaire dropped at the respondent's convenient place and ample period of one week given for them to answer.

3.8 Data Analysis and presentation

Both inferential and descriptive statistics were considered in the analysis of the data. Descriptive statistics include averages, standard deviation, percentages, frequency, and percentages. In order to evaluate the effects of independent and dependent variables using multiple regression analysis inferential statistics was utilized. Tool of analysis used was (SPSS) version 22.0. Tables, graphs and charts are used to present the research findings.

3.8.1 Empirical Model

The equation assumed by the model was: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$

Y represents financial Governance quality, the average of the four variables.

$X_1 = \text{Revenue Mobilization}$

X₂=Budgeting Techniques

X₃= Financial Reporting

X₄= Integrated financial management system

β_0 = constant

$\beta_1, \beta_2, \beta_3$ and β_4 = Coefficients and

ϵ = Standard error term.

3.9 The Diagnostic Tests

In order to verify that the research findings were accurate and devoid of bias, a number of assumptions was tested before doing regression analysis (Field, 2009). The tests were multicollinearity, normality and heteroscedasticity.

3.9.1 Multicollinearity Test

High correlation between the independent variables may lead to multicollinearity, which alters the relative importance of each variable. To analyze multicollinearity this study used Variance Inflation Factor (VIF) (Thompson, Kim, Aloe & Becker, 2017). A multicollinearity issue is indicated by a VIF number larger than 10. In this study the mean of the VIF was 2.78 hence no multicollinearity amongst the variables.

3.9.2 Normality Test

Normality tests are used to determine if a sample data is drawn from a normal distributed population. The regression model is improved by the normality test, which confirms that the data are normally distributed (Mishra et al., 2019). Shapiro-Wilk test and Kolmogorov-Smirnov test was employed to determine if the data is normally distributed. All the variables had their p value exceeding 0.05 hence normally distributed.

3.9.3 Heteroscedasticity Test

Heteroscedasticity is a term used to describe a situation in which the variance of the dependent variable varies across the data as opposed to a situation where Ordinary Least Squares make the assumption that the variance of the error term is constant (Frost, 2019). To test heteroscedasticity, Levene's test for equality of error variances was used. Null hypothesis of constant error variances is accepted if the p value is greater than 0.05. Results showed p value of 0.153 which was greater than 0.05. Therefore, heteroskedasticity was not a problem in this study.

3.10 Measurement of Variables and Operationalization of Variables

Table 3.3: Operationalization and Measurement of Variables

Variable	Nature	Indicators	Measurement scale
Quality of Financial Governance	Dependent	<ul style="list-style-type: none"> • Public participation • Financial transparency • Financial accountability • Oversight 	Ordinal
Revenue mobilization strategies	Independent	<ul style="list-style-type: none"> • Revenue policy • Revenue administration • Revenue compliance 	Ordinal
Budgetary techniques	Independent	<ul style="list-style-type: none"> • Budget planning • Budget control • Internal control 	Ordinal
Financial reporting	Independent	<ul style="list-style-type: none"> • Reliable reports • Relevance reports • Understandable reports 	Ordinal
Integrated financial management system	Independent	<ul style="list-style-type: none"> • Process automation • Timely reporting • Data storage 	Ordinal

Source: Researcher (2023)

3.11 Ethical Consideration

The researcher adhered to all expected rules and guidelines for academic research in Kenya. This was through obtaining Kenyatta University authorization letter on project approval and permit for research from NACOSTI. Researcher ensured that there is high confidentiality level of all the information collected from different individuals in NCCG. For the goal of collecting data, all members in the target population were notified. Finally, the researcher remained objective during the study and avoid any incidents that may relate to plagiarism.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter consists of data analysis and discussion of findings. This was done in accordance with the research objectives which involved; determining revenue mobilization strategies, examining the impact of budgeting strategies, financial reporting and an IFMS on financial management practices of Nairobi City County. The data is arranged in topics based on the goals of the study. The findings involve descriptive analysis, diagnostic tests, correlation analysis results, and effect regression model result.

4.2 Response Rate

There were 85 questionnaires distributed to the staff members of NCCG Finance and Economic Planning (FEP) department. Results are shown in Table 4.1.

Table 4.1: Response Rate

Response	Frequency	Percentage
Returned	76	89.41%
Unreturned	9	10.59%
Total	85	100%

Source: Researcher (2023)

There were 76 completed and returned questionnaires in total. 89.41% of respondents responded to the survey as shown in Table 4.1. The total response rate stood at 89.41% implying a successful response rate. Babbie (2004) asserted that a rate above 60% is a good response.

4.3 Reliability Analysis

The reliability test findings were used to evaluate how consistent variables were and, were assessed by use of the five Likert scales. For each item on the Likert scale, the reliability coefficient is computed. Table 4.2 below shows the summary of the results

Table 4.2: Reliability Analysis

Variable	Cronbach's Alpha	Number of items	Comment
Revenue mobilization strategy	0.811	4	Reliability
Budgetary techniques	0.810	4	Reliability
Financial reporting	0.630	4	Reliability
Integrated financial management	0.831	4	Reliability
Financial governance	0.759	4	Reliability

Source: Researcher (2023)

Table 4.2 shows that all items that are scaled are above the value of 0.7. Therefore, all variables reached a confidence level of 0.7 and above and were therefore considered appropriate for this study. The level of reliability of this construct measurement is above the level that was set by Bryman (2012); Cauchy (2010); Cooper & Schindler (2011); and Zikmund et al. (2010)

4.4 Demographic Analysis

It is important to determine if a sample is a proper representation of the whole population. Therefore, demographic information is necessary in giving participants data for generalization purposes. The demographics presented include; Respondent's gender, respondent's age, education level, and major years of service.

4.4.1 Gender of the Respondents

Gender refers to whether a respondent is male or female, the inclusion of gender in the study was important so as to obtain more inclusive and diverse results. The results are shown in pie chart below.

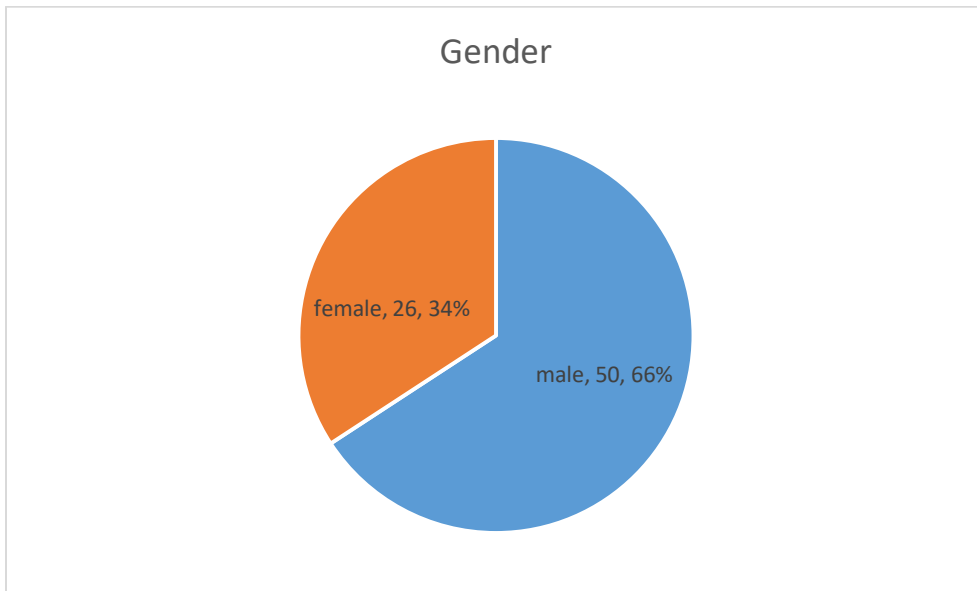


Figure 4.1: Gender of the Respondents

Source: Researcher (2023)

Figure 4.1 above indicated that 26 (34%) of the respondents were women, compared to 50 (66%) men, who made up the bulk of the respondents. This implied that most Finance and Economic Planning (FEP) department employees were men. However, the department met one third gender rule but should strive to employ more women.

4.4.2 Age of the Respondents

The age of employees in the company is a crucial element because it affects how well they can comprehend their environment, adjust to changes in it, and make decisions for the

company and also forms the basis of succession management. Therefore, it is important to ask respondents about their age in this study. Results are shown in bar graph below.

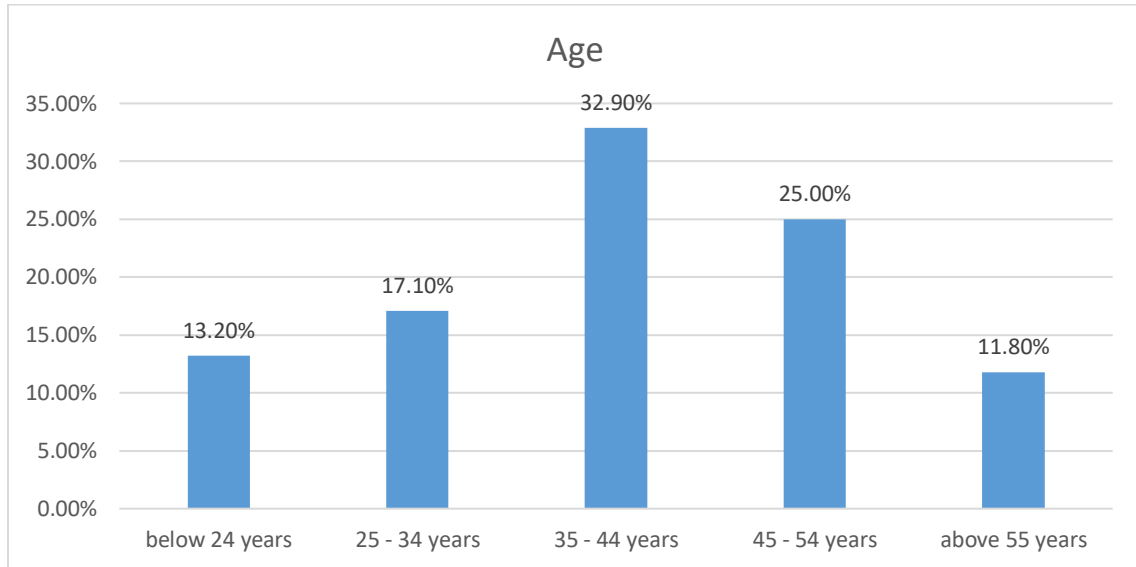


Figure 4.2: Respondents Age

Source: Researcher (2023)

Figure 4.2 showed that the respondents, 25(32.9%) were 35 – 44 years, 19(25.0%) were 45 – 54 years, 13(17.1%) were 25 – 34 years, 10(13.2%) were below 24 years while only 9(11.8%) were above 55 years. This suggested that middle-aged employees are the majority of the Finance and Economic Planning (FEP) department staff in Nairobi City County and also there is sufficient succession management which boosts financial governance.

4.4.3 Respondents’ Level of Education

Employee knowledge, skill, and ability are indicated by their level of education. Decisions on recruiting can have an impact on overall financial management, in turn. It was therefore important to interview the respondents of this study on their educational level. Results were presented in pie chart below.

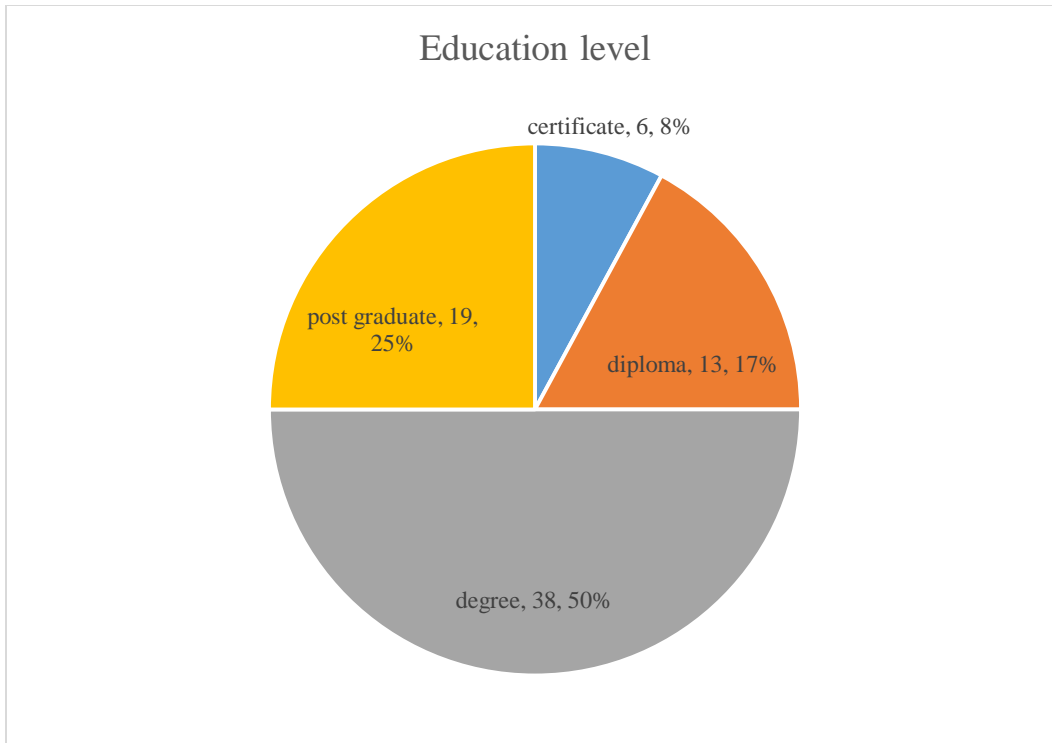


Figure 4.3: Level of Education

Source: Researcher (2023)

From Figure 4.3 3above, 8 respondents (or 50%) had a degree, 19 respondents (or 25%) had a postgraduate degree, 13 respondents (or 15%) held a diploma, and 6 respondents (or 8%) held a certificate. This suggested that the majority of staff in Nairobi County's Finance and Economic Planning (FEP) department were educated and so in a position to improve the standard of financial control. This was in agreement with Cherono (2016) who underscored that a well-educated and knowledgeable employee enhances the quality of financial governance in a nation.

4.4.4 Duration Worked

Respondents were also asked the duration in which had been employed by the county administration. This is important to establish if the respondents have adequate knowledge and experience of the operations of the NCCG. Results are presented in pie chart below.

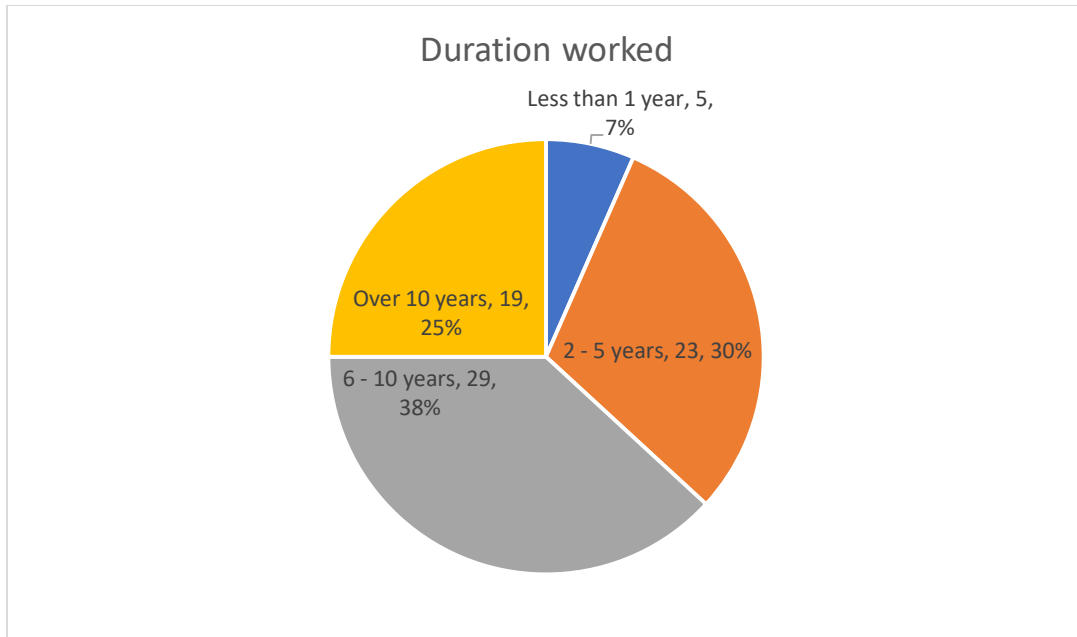


Figure 4.4: Duration Worked

Source: Researcher (2023)

The results in Table 4.4 established that respondents who had worked for 6 to 10 years were 29(38%), 23(30%) for 2 to 5 years, those who had worked for over 10 years were 19(25%) while those who had less than 1 year in the organization were 5(7%). The implication of this was that most Finance and Economic Planning (FEP) department employees in Nairobi City County had worked for a long duration and thus had enough experience that would enhance the financial governance of the county. These findings corresponded with Lundu (2015) who indicated that experienced employees enhance the performance of the county.

4.5 Descriptive statistics Analysis

For both independent and dependent variables, descriptive statistics were carried out and the summary shown below. The main purpose of description is to meaningfully describe, represent, or summarize data from possible patterns, without helping the researcher to draw

any conclusions beyond the data being analyzed. To objectively evaluate the survey results, the responses of 5 and 4 (strongly agreeing and agreeing) are categorized as agreeing, 2 and 1 (totally disagreeing with and disagreeing) as disagreeing, and 3 is neutral.

4.5.1 Revenue Mobilization Strategy

The study's first objective was to find out how revenue mobilization strategy influenced quality of financial governance of NCCG in Kenya. The respondents were asked to state any effects that revenue mobilization strategies have on quality of financial governance. According to the respondents, income mobilization made it possible for the county government to make payment for the goods and services offered to the general population. This implied that revenue mobilization strategies enhance financial governance quality. The study findings agreed with Gituma (2017) who argued that for government entities, it is important to have an effective revenue mobilization strategy as it acts as an important prerequisite on the welfare of public service delivery.

Respondents were requested to rate how much they agreed or disagreed with various assertions about income mobilization tactics. The data was further grouped, with 4 & 5 being grouped as agree, 1 & 2 being classified as disagree while 3 was indicated as neutral. Descriptive analysis for budgetary techniques were presented in Table 4.3 below

Table 4.3: Descriptive Analysis for Revenue Mobilization Strategy

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
There are sufficient revenue administration policies within the county.	8 (10.5%)	2 (2.6%)	6 (7.9%)	25 (32.9%)	35 (46.1%)	4.01	1.27
There are sufficient revenue compliance policies within the county.	8 (10.5%)	0.00%	12 (15.8%)	22 (28.9%)	34 (44.7%)	3.97	1.25
There are sufficient revenue mobilization policies within the county	9 (9.2%)	2 (2.6%)	21 (27.6%)	20 (26.3%)	26 (34.2%)	3.74	1.23
Revenue mobilization policies leads to enhanced quality of financial governance within the county	8 (10.5%)	12 (15.8%)	11 (14.5%)	23 (30.3%)	22 (28.9%)	3.51	1.34

Source: Researcher (2023)

Table 4.3 showed that 60(79.0%) of participants agreed that there are sufficient revenue administration policies within the county (mean=4.01, std. dev =1.07). This implied that Nairobi City County had sufficient policies for revenue administration. The findings of this study were in line with Mutua and Wamalwa (2017) who indicated that good revenue administration policies enhanced the service quality of the county government.

Further, 56(73.6%) of participants agreed that there are sufficient revenue compliance policies within the county (mean=3.97, std.dev=1.25). This implied that Nairobi City County had sufficient policies for compliance. The findings of this study were in line with

Mutua and Wamalwa (2017) that compliance policies enhanced the service quality of the county government.

Results also showed 46(60.5%) of participants agreed with the statement that there are sufficient revenue mobilization policies within the county (mean=3.74, std.dev=1.23). This implied that Nairobi City County had sufficient policies for revenue mobilization. The study findings agreed with Gituma (2017) that an effective revenue mobilization strategy for government entities is an important prerequisite for the welfare of service delivery to the public.

In addition, 45(59.2%) of participants agreed with the statement that revenue mobilization policies lead to enhanced quality of financial governance within the county (mean=3.51, std.dev=1.34). This implied that improvement of revenue mobilization policies enhanced financial governance. The study agreed with Mutua and Wamalwa (2017) who established that for the local governments, local revenues are a key revenue source given the increased need for budgetary expenditures and service delivery.

4.5.2 Budgetary Techniques

The study's second objective was to establish how budgetary techniques influenced quality of financial governance of NCCG in Kenya. The respondents were questioned about how budgeting strategies affected the quality of financial governance.

The respondents on a five-point Likert scale were asked to indicate the assertions about budgeting methods with which they agreed or disagreed. The data was further grouped, with 4 & 5 being grouped as agree, 1 & 2 being classified as disagree and 3 was indicated

as neutral. Table 4.4 below presented the summary of the budgetary techniques' descriptive analysis.

Table 4.4: Descriptive Analysis for Budgetary Techniques

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
There are sufficient budgetary controls within the county.	5 (6.6%)	6 (7.9%)	13 (17.1%)	34 (44.7%)	18 (23.7%)	3.71	1.12
There are internal controls within the county.	8 (10.5%)	10 (13.2%)	13 (17.1%)	27 (35.5%)	18 (23.7%)	3.49	1.28
There is sufficient budgetary planning within the county.	6 (7.9%)	1 (1.3%)	15 (19.7%)	26 (34.2%)	28 (36.8%)	3.91	1.16
Budgeting techniques leads to enhanced quality of financial governance within the county	8 (10.5%)	1 (1.3%)	22 (28.9%)	25 (32.9%)	20 (26.3%)	3.63	1.20

Source: Researcher (2023)

Table 4.4 above showed that 52(68.4%) of participants agreed with the statement that there are sufficient budgetary controls within the county (mean=3.71, std.dev=1.12). This implied that Nairobi City County had sufficient controls for budgets. The findings of this study concurred with Pimpong and Laryea (2016) who indicated that effectiveness of the budget as a tool of financial management enhanced organizational performance.

Further, 45(59.2%) of participants agreed with the statement that there are internal controls within the county (mean=3.49, std.dev=1.28). This implied that Nairobi City County had internal controls. The results of the investigation corroborated Ndzovu's (2019) assertion that strong internal controls improve financial performance.

Further results showed that 54(71.0%) of participants agreed with the statement that there is sufficient budgetary planning within the county (mean=3.91, std.dev=1.16). This implied that Nairobi City County had sufficient policies for planning the budget. The study's conclusions corroborated those made by Kung et al. (2013), who found that budgeting enhances organizational performance.

In addition, 45(59.2%) of participants agreed that budgeting techniques leads to enhanced quality of financial governance within the county (mean=3.63, std.dev=1.20). This implied that improvement of budgeting techniques enhanced quality of financial governance. The results agreed with Pimpong and Laryea (2016) who demonstrated that the correlation between organizational performance and budget coordination was statistically significant and favorable.

4.5.3 Financial Reporting

The study's third objective was to explore how financial reporting influenced quality of financial governance of NCCG in Kenya. According to the respondents, financial reporting allowed the county government to understand its financial situation in order to accomplish county goals and make decisions. Therefore, the study findings implied that financial reporting enhanced the quality of financial governance. The findings agreed with Waweru and Ngaba (2019) who indicated that clear financial reporting enhanced the quality of financial reporting.

Using a five-point Likert scale, respondents were asked to rate their agreement with various assertions about financial reporting. The data was further grouped, with 4 & 5 being grouped as agree, 1 & 2 being classified as disagree while 3 was indicated as neutral. Descriptive analysis for budgetary techniques were presented in Table 4.5 below

Table 4.5: Descriptive Analysis for Financial Reporting

Statement	1	2	3	4	5	Mean	Std. Dev
There is relevant financial reporting within the county	7 (9.2%)	11 (14.5%)	5 (6.6%)	26 (34.2%)	27 (35.5%)	3.72	1.33
The financial reporting within the county is understandable.	4 (5.3%)	8 (10.5%)	3 (3.9%)	25 (32.9%)	36 (47.4%)	4.07	1.19
There is quality of financial reporting within the county	5 (6.6%)	10 (13.2%)	5 (6.6%)	30 (39.5%)	26 (34.2%)	3.82	1.23
Financial reporting leads to enhanced quality of financial governance within the county	6 (8%)	0.00%	6 (8%)	22 (29.3%)	41 (54.7%)	4.23	1.15

Source: Researcher (2023)

Table 4.5 showed that 53(69.7%) of participants agreed that there is relevant financial reporting within the county (mean=3.72, std.dev=1.33). This implied that Nairobi City County had relevant financial reporting practices. The results supported Waweru and Ngaba's (2019) assertion that certain Kenyan government departments possessed a system that could improve financial reports production on real time aiding the process of making decisions.

Further 61(80.3%) of participants agreed with the statement that the financial reporting within the county is understandable (mean=4.07, std.dev=1.19). This implied that Nairobi City County had understandable financial reporting practices. The study agreed with that of Cherono (2016) who indicated that clear financial reporting enhances performance of an organization.

In addition, 56(73.7%) of participants agreed that there is quality of financial reporting within the county (mean=3.72, std.dev=1.33). This implied that Nairobi City County had quality financial reporting practices. The results supported Waweru and Ngaba's (2019) assertion that some Kenyan government ministries have a system that could improve real-time production of financial reports utilized in decision-making.

Further, 63(84.0%) of participants agreed that financial reporting leads to enhanced quality of financial governance within the county (mean=4.23, std.dev=1.15). This implied that enhancing financial reporting in the Nairobi city county would enhance the quality of financial governance. The analysis concurred with Cheron's (2016) finding that the system had improved financial report submission timeliness.

4.5.4 Integrated Financial Management Information System

The fourth objective of the study was to explore how integrated financial management influenced quality of financial governance of NCCG in Kenya. The effects of IFMIS on good financial governance were also inquired of the respondents. According to the respondents, IFMIS allowed the county government to allocate funds for each department in accordance with their various demands. This implied that quality of financial governance was highly affected by IFMIS. The findings of this study agreed with those of Chalu (2019), who discovered that IFMIS had a considerable impact on the accuracy of financial reporting.

Respondents were also asked to give their view concerning integrated financial management with which they agreed or disagreed. The data was further grouped, with 4 & 5 being grouped as agree, 1 & 2 being classified as disagree and 3 indicated neutral. Table 4.6 below shows the budgetary techniques descriptive analysis

Table 4.6: Descriptive Analysis for Integrated Financial Management

Statement	1	2	3	4	5	Mean	Std. Dev
The IFMIS with the county facilitates smooth transition	8 (10.5%)	0.00%	3 (3.9%)	14 (18.4%)	51 (67.1%)	4.32	1.26
The data storage system within the county is sufficient	5 (6.6%)	3 (3.9%)	8 (10.5%)	18 (23.7%)	42 (55.3%)	4.17	1.18
There is sufficient process automation within the county	6 (7.9%)	2 (2.6%)	5 (6.6%)	15 (19.7%)	48 (63.2%)	4.28	1.21
Integrated financial management system leads to enhanced quality of financial governance within the county	7 (9.2%)	1 (1.3%)	6 (7.9%)	19 (25%)	43 (56.6%)	4.18	1.23

Source: Researcher (2023)

The results in Table 4.6 showed that 65(85.5%) of participants agreed with the statement that the IFMIS with the county facilitates smooth transition (mean=4.32, std.dev=1.26). This implied that IFMIS in Nairobi City County enhanced smooth transition within the county. The study supported Chumba's (2014) observation that IFMIS improves effectiveness and efficiency in financial affairs through resource coordination.

Further, 60(79.0%) of participants agreed with the statement that the data storage system within the county is sufficient (mean=4.27, std.dev=1.18). This implied that Nairobi City County had sufficient data storage system. The study findings agreed with Chalu (2019)

enhancing easy storage of financial data enhances quality of financial reporting. In addition, 63(82.9%) of participants agreed with the statement that there is sufficient process automation within the county (mean=4.28, std.dev=1.18). The study findings agreed with Chumba (2014) who observed that efficiency in automation process enhances quality of financial reporting.

This implied that Nairobi City County had sufficient automation process. The results further showed that 62(81.6%) of participants agreed with the statement that integrated financial management system leads to enhanced quality of financial governance within the county (mean=4.18, std.dev=1.23). This implied that IFMIS within Nairobi City County enhanced quality of financial governance. The research's conclusions were consistent with those made by Chalu (2019), who found that IFMIS had a significant effect on the accuracy of financial reporting.

4.5.5 Quality of Financial Governance

The dependent variable of the study was quality of financial governance of NCCG in Kenya. The participants were asked to comment about the quality of financial governance in Nairobi City County in terms of public participation, financial accountability, financial transparency and oversight. The respondents indicated that the county carried out public participation only to large extent. The respondents further indicated that though accountability and transparency of the county resources was not done perfectly, the county workers have tried their best to be accountable and transparent. The county also have an oversight department that oversight the activities of the county. The study findings agreed TIK (2014) who indicated that Budgeting authorities, such as district councils and cabinets, have a duty to ensure public participation in the budgeting process.

On a five-point Likert scale, respondents were asked to rate how much they agreed with several assertions about the standard of financial governance. The data was further categorized, with 4 and 5 being categorized as agree, 1 and 2 as disagree, and 3 being categorized as neutral. Descriptive analysis for quality of financial governance was presented in Table 4.7 below.

Table 4.7: Descriptive Analysis for Quality of Financial Governance

Statement	1	2	3	4	5	Mean	Std.Dev
The county has employed public participation in financial governance decision.	5 (6.6%)	0.00%	16 (21.1%)	16 (21.1%)	39 (51.3%)	4.11	1.15
There is efficient financial accountability in the county.	6 (7.9%)	6 (7.9%)	20 (26.3%)	21 (27.6%)	23 (30.3%)	3.64	1.22
The county employs high levels of transparency in matters of financial governance.	8 (10.5%)	3 (3.9%)	10 (13.2%)	17 (22.4%)	38 (50%)	3.97	1.33
There is a working oversight procedure in the county	6 (7.9%)	6 (7.9%)	10 (13.2%)	20 (26.3%)	34 (44.7%)	3.92	1.27

Source: Researcher (2023)

Table 4.7 showed that 55(72.4%) of participants agreed with the statement that the county has employed public participation in financial governance decision (mean=4.11, std.dev=1.15). This implied that Nairobi city county employs public participation. The study findings agreed TIK (2014) who indicated that Budgeting authorities, such as district councils and cabinets, have a duty to ensure public participation in the budgeting process.

Further, 44(57.9%) of participants agreed that there is efficient financial accountability in the county (mean=3.64, std.dev=1.22). This implied that Nairobi City County had efficient financial accountability. The findings agreed with Motubatse et al. (2017) who indicated that effective financial accountability in the public sector governance promotes wise choices and efficient resource usage, which in turn directs the prudent management of these stocks.

In addition, 55(72.4%) of participants agreed that the county employs high levels of transparency in matters of financial governance. (Mean=3.97, std.dev=1.33). This implied that Nairobi City County has transparency on matters of financial governance. The results agreed with Kamaruddin et al. (2021) who indicated that transparency in governance enhances the performance of the county.

Further, 54(71.0%) of participants agreed with the statement that there is a working oversight procedure in the county (mean=3.92, std.dev=1.27). This implied that Nairobi City County has an oversight team. The study findings agreed with Kamaruddin et al. (2021) who indicated that transparency in governance enhances the performance of the county.

4.6 Correlation Analysis

Correlation analysis was conducted to determine the association between the independent variable (revenue mobilization strategy, budgetary techniques, financial reporting and integrated financial management) and the dependent variable (quality of financial governance). Therefore, correlation helps the researcher to understand the connection

between the independent and dependent variables and which variable to investigate further.

This was presented in Table 4.8 below

Table 4.8 Correlation Results

	Quality of Financial Governance	Revenue mobilization	budgeting techniques	financial reporting	IF MI S
Quality of Financial Governance		1			
Revenue mobilization	.782** 0.000	1			
budgeting techniques	.873** 0.000	.673** 0.000	1		
financial reporting	.812** 0.000	.642** 0.000	.794** 0	1	
IFMIS	.787** 0.000	.679** 0.000	.728** 0.000	.671** 0.000	1

Source: Researcher (2023)

The Table 4.8 show the budgeting technique has a positive and significant correlation with the quality of financial management ($r=0.873$, $p=0.000$). The results of this study are in line with the research of Pimpong and Laryea (2016) which shows that budgeting has a significant influence on the quality of financial management. Further results show that financial reporting has a positive and significant correlation with the quality of financial management ($r=0.812$, $p=0.000$). This study agrees with Cherono's research (2016) which found that the financial reporting system has a positive and significant effect on financial management.

Furthermore, the results of the study show that integrated financial management has a positive and significant correlation with the quality of financial management ($r=0.787$,

p=0.000). The research results are consistent with Chumba's research (2014) which found that IFMIS improves effectiveness and efficiency in financial matters by coordinating resources so that it affects the quality of financial reporting. The results of further research show that the income mobilization strategy has a positive and significant correlation with the quality of financial management ($r=0.782$, $p=0.000$). The results of this study are in line with Torome (2013) who found that income mobilization strategies have a positive impact on the quality of financial reports.

4.7 Diagnostic Testing

The following diagnostic tests were conducted.

4.7.1 Multicollinearity Test

Multicollinearity assumptions states that independent variables should not be highly correlated to each other. Test for multicollinearity assists in examining the strength of the association amongst variables. Multicollinearity was tested in the study using variance inflation factor. Results are presented in Table 4.10 below.

Table 4.9: Multicollinearity Test

	Tolerance	VIF
Revenue Mobilization	0.46	2.19
Budgeting techniques	0.29	3.48
Financial reporting	0.34	2.94
IFMIS	0.40	2.53
Mean		2.78

Source: Researcher (2023)

Results in Table 4.10 showed that VIF values ranged from 2.19 (revenue mobilization strategy) and 3.48 (budgeting techniques). The mean of the VIF was 2.78. This implied that there was no multicollinearity amongst the variables.

4.7.2 Normality

In statistics, the normality test is used to decide whether the set of information given by iP is normally distributed and to determine how likely the random variables that cover the information index are normally distributed (Ramakrishna, 2013). Shapiro wilk was used in this study since the sample size was below 200. This was presented in Table 4.9 below

Table 4.10: Normality Test

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial governance	0.126	76	0.089	0.905	76	0.065
revenue mobilization	0.139	76	0.061	0.857	76	0.059
Budgeting techniques	0.118	76	0.071	0.891	76	0.068
IFMI	0.104	76	0.091	0.926	76	0.069

Source: Researcher (2023)

Table 4.10 above showed that revenue mobilization strategy, budgetary techniques, financial reporting and integrated financial management and quality of financial governance were normally distributed. This is due to the fact that their p values exceeded 0.05.

4.7.3 Heteroscedasticity Test

Levene's test for equality of error variances was used to check heteroskedasticity test and the results are shown in Table 4.11.

Table 4.11: Levene's Test of Equality of Error Variances

Dependent Variable: Y			
F	df1	df2	Sig.
1.714	63	12	.153

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

Source: Research Data (2023)

Table 4.11 shows that the null hypothesis of constant variance of error terms was accepted since the p value of 0.153 was greater than 0.05. Therefore, heteroskedasticity was not a problem in this study.

4.8 Inferential Analysis

One of the inferential statistics used to demonstrate the link between variables is regression analysis. This demonstrates the link between sound financial management methods and quality of financial governance.

4.8.1 Model Fitness

In order to determine the effect of financial management practices on quality of financial governance model fitness was conducted. This was presented in Table 4.12 below

Table 4.12: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929a	0.863	0.855	0.29319

Source: Researcher (2023)

Table 4.12 above showed that Adjusted R squared is 0.855. This means that the financial management strategy explains 85.5% of changes in quality of financial governance also, R is 0.929. This means that the financial management strategy has a strong relationship with the quality of financial management. The study findings agreed with Chumba (2014) who observed that efficiency in financial management practices enhances quality of financial reporting.

4.8.2 Analysis of Variance

The ANOVA was performed to assess the financial management practices as a predictor for financial governance. The findings from the analysis of the variance are presented in Table 4.13 below.

Table 4.13: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	38.401	4	9.6	111.68	.000b
Residual	6.103	71	0.086		
Total	44.504	75			

Source: Researcher (2023)

Table 4.13 demonstrates this, with a F statistic of 111.68 and reported p-value of 0.000, which is less than the conventional probability criterion of significance of 0.05. Financial management strategy is an excellent predictor of financial governance quality. This means that the financial management strategy has a statistically immaterial outcome on the quality of financial governance at the 95% confidence level.

4.8.3 Regression of Coefficient Results

Regression of coefficient results shows the effect of the financial management strategies on quality of financial governance. This was presented in Table 4.14 below

Table 4.14: Regression Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.002	0.190		-0.011	0.992
Revenue mobilization	0.222	0.057	0.253	3.895	0.000
Budgetary techniques	0.365	0.073	0.412	5.035	0.000
Financial reporting	0.172	0.065	0.200	2.660	0.010
IFMIS	0.199	0.077	0.181	2.584	0.012

Source: Researcher (2023)

Results on Table 4.14 showed that budgetary techniques had a positive and significant effect with financial governance ($\beta=0.412$, $p=0.000$). This implied that an improvement in budgetary techniques by one unit would improve quality of financial governance by 0.412 units. The study findings agreed with Pimpong and Laryea (2016) who demonstrated that the correlation between organizational performance and budget coordination was statistically significant and favorable

Revenue mobilization strategy had a positive and significant effect with financial governance ($\beta=0.253$, $p=0.000$). This implied that an improvement in revenue mobilization strategy by one unit would improve quality of financial governance by 0.253 units. The study agreed with Mutua and Wamalwa (2017) who established that local revenues are a key source of financing for local governments given the increased need for budgetary expenditures and service delivery.

Financial reporting had a positive and significant effect with financial governance ($\beta=0.200$, $p=0.010$). This implied that an improvement in financial reporting by one unit would improve quality of financial governance by 0.200 units. The results supported

Cherono's (2016) assertion that financial reporting significantly influenced financial governance.

IFMIS had a positive and significant effect with financial governance ($\beta=0.181$, $p=0.012$). This implied that an improvement in IFMIS by one unit would improve quality of financial governance by 0.181 units. The study concluded that Chalu (2019) who found that IFMIS had significant effect on financial reporting quality.

$$Y = 0.253X_1 + 0.412X_2 + 0.200X_3 + 0.181X_4 + \varepsilon$$

X1= Revenue mobilization strategy

X2= budgetary techniques

X3= financial reporting

X4= integrated financial management

ε = Error term

4.9 Hypothesis Testing

The hypotheses were tested using regression results in Table 4.14. The decision rule was to reject the null hypothesis if calculated P-value was less than 0.05 while to accept the null hypothesis if p- value was greater than 0.05.

Table 4.15: Hypothesis Testing

Objectives	Hypothesis	Significance	Decision Reject/accept	Conclusion
To determine effect of revenue mobilization strategy on quality of financial governance in Nairobi City County Government, Kenya.	there is no significant influence of revenue mobilization strategy on quality of financial governance in Nairobi City County Government, Kenya	P=0.000	Reject H ₀ if p<0.000	The null hypothesis is rejected.
To determine effect of revenue budgetary techniques on quality of financial governance in Nairobi City County Government, Kenya.	there is no significant influence of budgetary techniques on quality of financial governance in Nairobi County Government, Kenya	P=0.000	Reject H ₀ if p<0.000	The null hypothesis is rejected.
To determine effect of revenue financial reporting on financial quality governance in Nairobi County, Kenya	there is no significant influence of financial reporting on financial quality governance in Nairobi County, Kenya	P=0.010	Reject H ₀ if p<0.000	The null hypothesis is rejected.
To determine how IFMS affect financial governance quality in Nairobi county, Kenya.	there is no significant influence of IFMS on financial governance quality in Nairobi county, Kenya	P=0.012	Reject H ₀ if p<0.000	The null hypothesis is rejected.

Source: Researcher (2023)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The aim of this study was to investigate the effect of financial management practices on quality of financial governance in Nairobi City County Government, Kenya. This section presents the summary of the findings of the research. It further provides the conclusions and recommendations

5.2 Summary

The study had the specific objectives of revenue mobilization strategies, budgeting techniques, financial reporting and Integrated Financial Management Information System in the Nairobi City County Government.

The first goal of the study involved determining the effect of revenue mobilization strategy and quality of financial governance in Nairobi City County Government, Kenya. Nairobi County Government has adequate administrative guidelines. This may be due to the fact that the NCCG has qualified personnel. According to the results, majority of respondents agree that there is an adequate income mobilization strategy in NCCG. Moreover, the study denoted that efficient revenue collection strategies have a positive impact on governance of Nairobi county. This can be attributed to the NCCG determination to increase local revenue.

The second objective was to determine the effect of budgetary techniques and quality of financial governance in Nairobi City County Government, Kenya. Findings showed that

there are sufficient budgetary and internal controls within the NCCG. This could have been attributed to the fact that the county had made good investment on their controls. In addition, results showed that there was sufficient budgetary planning within NCCG. This could have been attributed to the fact that budgetary planning enables the county to achieve their financial goals. Hypothesis results showed that there was a significant influence of budgetary techniques on quality of financial governance.

The third objective was to determine the effect of budgetary techniques and governance financial quality of financial in Nairobi County. Results showed that there was relevant and quality financial reporting within Nairobi County. Sound budgetary techniques positively affect governance of financial quality in Nairobi County. This could be attributed to the fact that financial reporting provides insight and transparency into the county financial position. Hypothesis results showed that there was a significant influence of revenue mobilization strategy on quality of financial governance in Nairobi City County Government, Kenya.

The fourth objective was to determine how financial governance quality in Nairobi County is affected by IFMIS. The results showed that IFMIS with the Nairobi County facilitates smooth transition. The results further showed the data storage system within the Nairobi County was sufficient. Further results showed there was sufficient process automation within Nairobi County. This could have been attributed to the fact that IFMIS makes the decision-making process in the county faster and also helps in planning. Hypothesis results showed that IFMIS significantly influenced financial governance quality in the City County of Nairobi

5.3 Conclusions

From the study the following conclusions were made:

Revenue mobilization strategy had a positive and significant association with quality of financial governance. Employing qualified revenue collectors enables the county to mobilize a lot of revenue. In addition, having sufficient revenue compliance as well of mobilization policies enhances the quality of financial governance. As a result, revenue collection strategies should be tested before being rolled out. Revenue collection strategies that increase the county's income boost the prospect of hiring qualified personnel which ensures an improvement in the quality of financial governance.

Budgetary techniques had a positive and significant association with quality of financial governance. The study also concluded that sufficiency in budgetary controls enhances quality of financial governance. Hence, it points that the NCCG has adequate internal and budgetary controls. In addition, internal control system enhances quality of financial governance. Further, budgeting is a tool for financial management that is used to oversee and control the functioning of large and diverse institutions.

Financial reporting had a positive and significant association with quality of financial governance. The findings indicated that financial reporting in Nairobi County was accurate and relevant. Effective budgeting practices have a positive impact on Nairobi County's financial quality governance. Having an understandable financial reporting enhances the quality of financial governance. Financial reporting also forms a backbone for financial planning and decision making.

IFMIS had a positive and significant association with quality of financial governance. Further, IFMIS with the county facilitates smooth transition. In addition, integrated financial management system leads to enhanced quality of financial governance within the county. The outcomes further demonstrated that Nairobi County's data storage system was adequate. Sufficiency in automation process within the county enhances the quality of financial governance.

5.4 Recommendations of the Study

The study recommended that counties and other local governments should ensure there is a sufficient revenue administration and mobilization policy within the county. The county government ought to come up with more sources of mobilizing their revenue. The sources should be adequately determined and evaluated. The county should employ qualified staffs for revenue collection so as to mobilize the required revenue. Also, stern measures should be embraced regarding the perpetrators of misappropriation of funds in the county.

Counties and other local governments should ensure there is sufficient budgetary planning within the county. The county government should ensure there are internal controls within the county and come up with a clear budget so as to achieve their financial goals. The county should also countercheck its internal control mechanisms to ensure they correlate with technological trends; this will limit hacking of its financial systems or creating gaps that can be exploited by potential criminals.

Counties and other local governments should also ensure that financial reporting within the county is understandable so as to enhance the quality of financial governance. The financial

reporting practices also ought to be of good quality so as to provide insight and transparency into the county financial position.

The study further recommended that they should have sufficient process automation within the county so as to enhance the quality of Financial Governance. Use of IFMIS which makes planning and decision-making process faster should be used.

5.5 Recommendations for Further Research

The research investigated the effect of financial management practices on quality of financial governance in City County of Nairobi, Kenya. Research should be undertaken on appropriate revenue collection strategies for Nairobi County. Also, The Further study should also be done on other financial management practices such as cash management, working capital management and their impact on financial governance of Nairobi County. Also, research should be undertaken on the suitability of the county's internal controls based on the current technological trends in improving financial governance of Nairobi City County Government.

REFERENCES

- Abd Aziz, M. A., Ab Rahman, H., Alam, M. M., & Said, J. (2015). Enhancement of the accountability of public sectors through integrity system, internal control system and leadership practices: A review study. *Procedia Economics and Finance*, 28, 163-169.
- Achim, A. M. (2014). Financial Accounting Quality and its Defining characteristics. *Journal of Economics and Business Administration*, vol. II (3-5): 93-98
- Adu-Gyamfi, E. (2014). Effective revenue mobilisation by districts assemblies: A case study of Upper Denkyira East Municipal Assembly of Ghana. *Public Policy and Administration Review*, 2(1), 97-122.
- Agle, B.R., Donaldson, T., Freeman, R. E., Jensen, M. C., Mitchell R. K., & Wood D. J., (2008). Dialogue: Toward Superior Stakeholder Theory. *Business Ethics Quarterly*. Vol. 18, No.2), pp. 153-190
- Anuar, F. S., Alwi, N. M., & Ariffin, N. M. (2019). Financial Management Practices and Performance of Zakat Institutions in Malaysia. *IPN Journal of Research and Practice in Public Sector Accounting and Management*, 9(1), 1-26.
- Ayim, O. R. (2019). *The Relationship between Integrated Financial Management Information System and Performance of Government Ministries in Kenya*. Unpublished MS Project. Kenyatta University.
- Babbie, E. (2002). *The Basics of Social Research*. Belmont, CA: Wadsworth Publishing.
- Baumann, P. (2013). Sustainable livelihoods and political capital: Arguments and evidence from decentralization and natural resource management in India. London: Overseas Development Institute.
- Biddle, G., Gilles, H. & Verdi, R. (2009). How Does Financial Reporting Improve Investment Efficiency? *Journal of Accounting and Economics*, vol.48 (2-3): 112-131
- Bolarinwa, O. A. (2015). Principles and methods of validity and reliability testing of questionnaires used in social and health science researches. *Nigerian Postgraduate Medical Journal*, 22(4), 195.
- Business Daily Africa (BDA), (2021), *Funds misuse costs Nairobi*. Retrieved from <https://www.businessdailyafrica.com/>
- Chalu, H. (2019). The Effect of IFMIS on Financial Reporting Quality in Tanzanian Local Governments. *Economics Journal*. <http://hdl.handle.net/11159/3404>

- Cherono, S. C. (2016). *The Effects of Integrated Financial Management Information Systems, On Accounting Operations of Government Agencies in Kenya*. Unpublished MBA Project. University of Nairobi.
- Chumba, S. (2014). Integrated Financial Management Information System and Its Effect on Cash Management in Eldoret West District Treasury, Kenya. *International Journal of Business and Social Science Vol.5 No. 8, 31–37*.
- Edlund, H. (2012). *Reasons behind Presumed Low Financial Reporting Quality (FRQ) in China*. Unpublished Accounting Journal. Umea University.
- Fan, Y. (2015). The centre decides and the local pays: Mandates and politics in local government financial management in China. *Local Government Studies, 41(4)*, 516-533.
- Fiador, V. (2013). *Determinants of Financial Governance Practices-Evidence from NGOs in Ghana*. *International Journal of Sociology and Social Policy, Emerald Vol. 33 Issue 1/2..* Available from: <https://www.researchgate.net/publication/236842217> Determinants of Financial Governance Practices-Evidence from NGOs in Ghana International Journal of Sociology and Social Policy Emerald Vol 33 Issue 12 [accessed Jun 11 2021].
- Gituma, H. K. (2017). *Determinants of effective revenue collection by Embu County, Kenya* (Doctoral dissertation, University of Embu).
- GOK. (2011). IFMIS re-engineering. *The Ministry of Finance*.
- Government of Nairobi City County (GONCC),(2019). *The Report of the Auditor General on the Financial Statements of Nairobi City County Assembly for the Year Ended 30TH June 2018*. Nairobi, Kenya.
- Hair, J. F., Celsi, M. W., Money, A. H., Samouel, P. & Page, M. J. (2015). *Essentials of Business Research Methods*. 2nd edition. Routledge. New York, USA.
- Herath, S. & Albarqi, N. (2017). Financial Reporting Quality: A Literature Review. *International Journal of Business Management and Commerce. Vol.2 No.2*
- ICPAK, (2017). *The benefits, challenges and way forward of IFMIS in Kenya*.
- Infotrak, (2020). *CountyTrak index*. Retrieved from <http://countytrak.infotrakresearch.com/index-by-regions/>
- Jain, N., Agarwal, N., Thinakaran, R., & Parekhji, R. (2017). Low cost dynamic error detection in linearity testing of SAR ADCs. In 2017 IEEE International Test Conference (ITC) (pp. 1-8). IEEE

- Jaya, N. A., Ispriyarso, B., & Natalis, A. (2020). Konstruksi Kebijakan Desentralisasi Fiskal Berbasis Paradigma Good Financial Governance Di Indonesia. *Humani (Hukum dan Masyarakat Madani)*, 10(1), 24-43.
- Kadim, A., & Sunardi, N. (2022). Financial Management System (QRIS) based on UTAUT Model Approach in Jabodetabek. *International Journal of Artificial Intelligence Research*, 6(1).
- Kamande, K. M. (2015). *The relationship between financial management practices and financial performance in the dairy industry in Kenya* (Doctoral dissertation, University of Nairobi).
- Kamaruddin, M. I. H., Auzair, S. M., Rahmat, M. M., & Muhamed, N. A. (2021). The mediating role of financial governance on the relationship between financial management, Islamic work ethic and accountability in Islamic social enterprise (ISE). *Social Enterprise Journal*, 17(3), 427-449.
- Kibunja, E. W. (2017). *Budgetary Process and Financial Performance of Murang'a County Government, Kenya*. Unpublished MBA Project. Kenyatta University.
- Kombo, K. D. & Tromp, A. L. D. (2006). *An Introduction to Proposal and Thesis Writing*. Pauline Publications Africa, Nairobi, Kenya.
- Kothari, C. (2014). *Research Methodology: Methods & Techniques*, 3rd edition. New age International Publisher. New Delhi.
- Kung, F., Huang, C., & Cheng, C. (2013). An Examination of the Relationships among Budget Emphasis, Budget Planning Models and Performance. *Management Decision*, 51, 120-140
- Lamdany, R., & Martinez-Diaz, L. (2009). *Studies of IMF governance: a compendium*. International Monetary Fund.
- Mäkinen, H. (2010). *The Factors Impacting the Diffusion of Innovation in Digitalizing Accounting*. Unpublished Accounting Master's Thesis. Aalto University.
- Mele, C., Pels, J. & Polese, F. (2010). A Brief Review of Systems Theories and Their Managerial Applications. *Service Science* 2(1-2): 126-135
<https://doi.org/10.1287/serv.2.1.2.126>
- Miller, P. B. W. & Bahnson, P. R. (2005). *Quality Financial Reporting*. 2nd Edition. McGraw-Hill Education Pvt Ltd, New York City.
- Mishra, P., Pandey, C. M., Singh, U., Gupta, A., Sahu, C., & Keshri, A. (2019). Descriptive statistics and normality tests for statistical data. *Annals of cardiac anaesthesia*, 22(1), 67.

- Mohajan, H. K. (2017). Two criteria for good measurements in research: validity and reliability. *Annals of Spiru Haret University. Economic Series*, 17(4), 59-82.
- Motubatse, K. N., Ngwakwe, C. C., & Sebola, M. P. (2017). The effect of governance on clean audits in South African municipalities. *African Journal of Public Affairs*, 9(5), 90-102.
- Mugenda, O. M. & Mugenda A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. ACT Press, Nairobi, Kenya.
- Mugenda, O. M. & Mugenda A. G. (2013). *Research Methods: Quantitative and Qualitative Approaches*. ACT Press, Nairobi, Kenya.
- Muigai, E. K. (2012). *The Effect of Integrated Financial Information Systems on the Financial Management of Public Sector in Kenya: A Case of Kenyan Ministries*. Unpublished MBA Project. University of Nairobi.
- Mulder, P. (2017). *Conceptual Framework*. Retrieved from Toolshero: <https://www.toolshero.com/problem-solving/conceptual-framework/>
- Mutua, J., & Wamalwa, N. (2017). Enhancing Mobilization of Own Source Revenue in Nairobi City County: Issues and Opportunities.
- Mwaniki, A. W. (2013). *An Assessment of the Effectiveness Integrated Financial Management Information System in Public Sector Financial Reporting in Kenya*. Unpublished MBA Project. Kenyatta University.
- National Treasury & Planning, (2021). *Integrated Information Management System (IFMIS)*.
- Ndaita, B. S. (2011). *Management accounting change: an exploratory study of large manufacturing companies in Kenya*. Unpublished MBA Project. University of Nairobi.
- Nderitu, A. G. (2018). *Public Sector Accounting Standards and Financial Reporting in Central Region County Governments, Kenya*. Unpublished MBA project. Kenyatta University.
- Ndzovu, S. M. (2019). Effects of Integrated Financial Management Information System on Financial Performance of County Government of Kwale. *The Strategic Journal of Business and Change Management* 6(3), 11-27.
- Njau, C. N. (2020). *Adoption of Integrated Financial Management Information System and Performance of National Treasury of Kenya*. Unpublished MBA Project. Kenyatta University.

- Njonde, J. N. & Kimanzi, K. Effect of integrated financial management information system on performance of public sector: A case of Nairobi County Government. *International Journal of Social Science and Entrepreneurship*, 1 (12), 913-936
- Noore Alam, S., Dian Nastiti, and Nur Ana Sejati (2012). Regional Autonomy and Local Resource Mobilization in Eastern Indonesia: Problems and Pitfalls of Fiscal Decentralization. *Asian Affairs: An American Review* Vol. 39, Issue. 1, 2012
- Oates, L. R. (2011). Fiscal decentralization and intergovernmental fiscal relations: a crosscountry analysis. *World Development*, 28(2), 365 - 380.
- Ocheni, S. I., Atakpa, M., & Nwankwo, B. C. (2012). Financial Governance and Sustainable Development in Nigeria: A Critical Review. *Journal International Journal of Learning and Development*, 2(5), 86-93.
- Ojo, M. (2016). *Value Relevance of Accounting Information in Capital Markets*. IGI Global, USA.
- Ojok, J., & Basheka, B. C. (2016). Measuring the effective role of public sector monitoring and evaluation in promoting good governance in Uganda: Implications from the Ministry of Local Government. *Africa's Public Service Delivery & Performance Review*, 4(3), 410-439.
- Okongo, O. K., & Kiruja, E. K. (2023). Influence of Knowledge Management Practices and Performance of Tax Collection at Kenya Revenue Authority in Nairobi County, Kenya. *International Journal of Social Sciences Management and Entrepreneurship (IJSSME)*, 7(1).
- Onyango, G., & Hyden, G. (2021). *Governing Kenya*. Springer International Publishing.
- Opiyo, A. N. (2017). *Effects of Integrated Financial Management Information System (IFMIS) On Cash Management in Kenya: Case of Kisumu County Government*. Unpublished MBA Project. Catholic University of Eastern Africa.
- Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & De Colle, S. (2010). Stakeholder theory: The state of the art. *Academy of Management Annals*, 4(1), 403-445.
- Quick, T. L., Quick, J. D. and Burdick, R.W. (1993). *Rhinos in the Rough: a Golfer's Guide to Kenya*. East Africa Publishers. Nairobi, Kenya.
- Rhenman, E. (1964). Organisationens Mål. *Sociologisk Forskning*, 1(2), 41-54.
- Rogers, E. M. (2003). *Diffusion of Innovations*. 5th Edition. Free Press, New York, London.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*. Pearson education.

- Scott, G. K. (2016). Influence of Revenue Mobilization Practices on Service Delivery in Decentralized Governments: The Case of District Assemblies in Ghana.
- Sentao Kenya. (2018). *Analysis of Nairobi City County Audit Report Financial Year 2016/2017*. Nairobi, Kenya.
- Shah, A. (2009). Budgeting and budgetary institutions. World Bank Publications
- Strand, R., Freeman, R.E. Scandinavian Cooperative Advantage: The Theory and Practice of Stakeholder Engagement in Scandinavia. *J Bus Ethics* 127, 65–85 (2015). <https://doi.org/10.1007/s10551-013-1792-1>
- Thompson, C. G., Kim, R. S., Aloe, A. M., & Becker, B. J. (2017). Extracting the variance inflation factor and other multicollinearity diagnostics from typical regression results. *Basic and Applied Social Psychology*, 39(2), 81-90.
- Tysiac K. (2020). The 10 Elements of Financial statements, according to FASB. *Journal of Accountancy*.
- Wanjara, S. (2015). Influence of Internal Control System on the Financial Performance of Kenya Power. KCA University
- Wanyonyi, K. W., & Theuri, J. (2021). Integrated Financial Management Information System and Financial Performance in Trans Nzoia County, Kenya. *International Journal of Current Aspects in Finance, Banking and Accounting*, 3(2), 51-64.
- Wolmarans, H. P., & Meintjes, Q. (2015). Financial management practices in successful Small and Medium Enterprises (SMEs). *The southern African journal of entrepreneurship and small business management*, 7(1), 88-116.
- Zada, M., Yukun, C., & Zada, S. (2021). Effect of financial management practices on the development of small-to-medium size forest enterprises: Insight from Pakistan. *GeoJournal*, 86(3), 1073-1088.

APPENDICES

Appendix I: Research Questionnaire

This questionnaire is prepared with intention of collecting data to help in investigating the effects that financial management practices on quality of financial governance in Nairobi City County Government, Kenya. The data collected using this questionnaire is confidential and required only for academic purposes. Please respond to the best of your awareness and in a sincere manner to all the questions below.

Section A: General Information

In this section kindly tick where suitable

1. What is your gender?

Male

Female

2. Under which age bracket do you fall?

24 years and below

25-34 years

35-44 years

45-54 years

55 years and above

3. What is your education level?

Certificate

Diploma

Degree

Post Graduate

4. Which is your department

Procurement	<input type="checkbox"/>
Stores	<input type="checkbox"/>
Revenue	<input type="checkbox"/>
Debt	<input type="checkbox"/>
Accounts	<input type="checkbox"/>
Technical skills	<input type="checkbox"/>

5. How long have you worked in Nairobi City County in your current department?

Less than 1 year 2 - 5 years 6 – 10 years Over 10 years

Section B: Financial Management Practices

In this section for all the questions 1 to 5 you will be required to state for part (a) and then for part (b) you will point out by ticking the range to which you agree to question in Likert scale.

Revenue mobilization

a) Kindly state any effects that you think revenue mobilization strategies has on quality of financial governance

.....

.....

.....

.....

b) Rate your agreement or disagreement with the aspects on revenue mobilization in Nairobi City County? Given that (5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree and 1=Strongly Disagree) use this Likert 1-5 scale in responding.

Statement	1	2	3	4	5
There are sufficient revenue administration policies within the county.					
There are sufficient revenue compliance policies within the county.					
There are sufficient revenue mobilization policies within the county					
Revenue mobilization policies leads to enhanced quality of financial governance within the county					

Budgeting techniques

a) Kindly state any effects that you think budgeting techniques has on quality of financial governance.

.....

.....

.....

.....

.....

- b) Rate your agreement or disagreement with the aspects on budgeting technique in Nairobi City County? Given that (5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree) use this Likert 1-5 scale in responding.

Statement	1	2	3	4	5
There are sufficient budgetary controls within the county.					
There are internal controls within the county.					
There is sufficient budgetary planning within the county.					
Budgeting techniques leads to enhanced quality of financial governance within the county					

Financial Reporting

- a) Kindly state any effects that you think financial reporting has on the quality of financial governance

.....

.....

.....

.....

.....

b) Rate your agreement or disagreement with the aspects on financial reporting in Nairobi City County? Given that (5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree) use this Likert 1-5 scale in responding.

Statement	1	2	3	4	5
There is relevant financial reporting within the county					
The financial reporting within the county is understandable.					
There is quality of financial reporting within the county					
Financial reporting leads to enhanced quality of financial governance within the county					

IFMIS

a) From your own point of view, Kindly state any effects that you think IFMIS has on quality financial governance

.....

.....

.....

.....

.....

- b) Rate your agreement or disagreement with the aspects on IFMIS and financial governance in Nairobi City County? Given that (5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree) use this Likert 1-5 scale in responding.

Statements	1	2	3	4	5
The integrated financial management system within the county facilitates timely reporting					
The data storage system within the county is sufficient					
There is sufficient process automation within the county					
Integrated financial management system leads to enhanced quality of financial governance within the county					

Section C: Financial Governance

- a. From your own point of view, what would you say about the quality of financial governance in Nairobi City County in terms of public participation, financial accountability, financial transparency and oversight.

.....

.....


.....

- b. Rate your agreement or disagreement with the aspects on financial governance in Nairobi City County? Given that (5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree) use this Likert 1-5 scale in responding.

Statement	1	2	3	4	5
The county has employed public participation in financial governance decision.					
There is efficient financial accountability in the county.					
The county employs high levels of transparency in matters of financial governance.					
There is a working oversight procedure in the county					

Thank You for Your Participation and Cooperation.

Appendix II: Authorization Letter from Kenyatta University


KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke P.O. Box 45844, 00100
Website: www.ku.ac.ke NAIROBI, KENYA
Tel. 8710901 Ext. 37530

Our Ref: D53/OL/CTY/26213/2015 DATE: 21st November, 2022

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30625-00100
NAIROBI

Dear Sir/Madam,


RE: RESEARCH AUTHORIZATION FOR ELIAS MWANGI MURIGI- REG. NO. D53/OL/CTY/26213/2015

I write to introduce Elias Mwangi Migiri who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the Department of Accounting and Finance.

Elias intends to conduct research for a M.B.A Project Proposal entitled, "Financial Management Practices and Quality of Nairobi City County Government, Kenya."


Any assistance given will be highly appreciated.

Yours faithfully,



PROF. ELISHIBA KIMANI
EXECUTIVE DEAN, GRADUATE SCHOOL

AM/202

Appendix III: Research Permit



REPUBLIC OF KENYA
National Commission for Science, Technology and Innovation




**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: 223123


Date of Issue: 08/December/2022

RESEARCH LICENSE




This is to Certify that Mr. ELIAS MWANGI MURIGI of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: FINANCIAL MANAGEMENT PRACTICES AND QUALITY OF FINANCIAL GOVERNANCE OF NAIROBI CITY COUNTY GOVERNMENT, KENYA for the period ending : 08/December/2023.

License No: NACDSTUP/22/22330


Director General
**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION**

Applicant Identification Number: **223123**

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.

See overleaf for conditions