

**DETERMINANTS OF ABSORPTION RATE OF DEVOLVED FUNDS BY
COUNTY GOVERNMENTS**

(A CASE STUDY OF NYERI COUNTY)

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DECLARATION

This research thesis is my original work and has not been presented for an academic award in any other university.

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DEDICATION

I dedicate this thesis to my family.

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I thank the Almighty God for giving me the gift of life and good health to carry out my studies. I appreciate KeMU for granting me the opportunity to further my education. My special acknowledgement goes to my supervisors Moses Kithinji and Antony kimathi for their expertise guidance, experience and instructive feedback in conducting this study. I appreciate the county government of Nyeri for allowing me to conduct this study. In particular I am grateful to the employees in the department of finance and economic planning who participated in the study. I would also like to thank my family with sincere gratitude for their unconditional support and provision of a loving environment for me.

ABSTRACT

The absorption rate is a crucial metric for assessing the effectiveness and overall success of counties in terms of using allocated funds. According to data from the director of budgets, the majority of counties spend less than half of their budgets. Despite the availability of funding, taxpayers are denied programs due to the poor absorption rate. This study therefore sought to establish determinants of absorption rate of devolved funds. The objectives of this study were to establish the influence of budgeting practices on absorption rate and to determine the influence of disbursement of funds on absorption rate. The study also sought to assess the influence of internal controls on absorption rate and to determine the influence of procurement practices on absorption rate. The agency, operational, and contingency hypotheses were used to guide the current research. A descriptive survey design was used in this research. The study's target population included 34 senior officers from Nyeri County's department of finance and economic planning. The department of finance and economic development administered a survey of all 34 senior officers. Data was collected using a self-administered questionnaire. A pre-test was performed to ensure the questionnaire's validity and reliability. The study's findings were described using descriptive statistics such as frequencies, ratios, mean, and standard deviation. Chi-square experiments were used to determine the impact of each component on absorption rate. A multiple regression analysis was performed on the study's significant variables. The analysis was carried out in SPSS v24 with a 95% confidence rating. The results were presented using tables and graphs. The study found a 35.4% absorption rate which is quite low. In addition, only 8.4% of the projects commissioned in the last 3 financial years have been completed and of concern is that 31.2% of them have stalled. The study found that the county government of Nyeri had good budgeting practices, internal controls and procurement practices. However, the disbursement of funds was slow and inadequate. Chi-square analysis showed that budgeting practices ($p=0.02$), disbursement of funds ($p=0.000$) and procurement practices ($p=0.043$) were significant. Regression analysis showed that there was a strong positive correlation ($r=0.877$) between the selected variables and absorption rate of devolved funds by county government of Nyeri. Specifically, the model summary illustrates that 76.8% of the absorption rate of devolved funds by county government of Nyeri. There was a significant relationship ($p=0.000$) between the selected variables and absorption rate of devolved funds by county government of Nyeri. Disbursement of funds ($p=0.002$) was the only significant variable in the regression analysis. The study concluded that the main determinant of low absorption rate is the disbursement of funds specifically the slow and inadequate disbursement of funds. It was recommended that the revenue sharing formula be reviewed to adequately cater for the needs of the county and the devolved funds be disbursed in a timely manner

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LIST OF ABBREVIATIONS AND ACRONYMS

B	Billion
CF	Cohesion Fund
CoB	Controller of Budget
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
KNBS	Kenya National Bureau of Statistics
KPHC	Kenya Population and Housing Census
M	Million
NACOSTI	National Commission for Science, Technology and Innovation
RoK	Republic of Kenya
SPSS	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Governments may provide a strong enabling environment for business and successful public services if they use transparent, fair, and accountable spending and proper management and monitoring tools (Brusca et al., 2016). Governments may improve public satisfaction and minimize expenses by providing services that are tailored to the requirements of their constituents. Government efficiency relies heavily on a well-functioning public expenditure management system (PEM). Budgetary decisions are made in a regular budgetary cycle of planning, negotiation, and execution by the government (Brusca et al., 2016).

Democracy, macro-economic stability, efficient use of resources, and reducing poverty all depend on well-functioning public finance institutions. The efficiency of assistance and the prevention of corruption may both be enhanced by good PFM systems (Thom, 2019). There will be taxes because people want the government to supply a wide range of products and services. People vote for politicians who will enact public policy and pay taxes in order to do so, and this view on local government budgets is based on this idea (Jubery et al., 2017).

Absorption rate is the real spending as a percentage of the budgeted expenditure (Kersan-Škabić & Tijanić, 2017). The share is an important metric for assessing the productivity and overall success of counties when it comes to allocating funds. According to Achim

and Borlea (2015), a higher absorption rate is preferable because it indicates that countries are close to achieving their target. A low absorption rate, on the other hand, indicates that countries are underperforming in terms of using the expected spending.

Global Perspective

Globally the level of absorption is low (<50%). A high absorption rate is common in countries with a high marginal tendency to eat. The United Kingdom and the United States, for example, have seen elevated levels of absorption. The average absorption rate in the European Union is 27% (Zaman & Cristea, 2011). Malta had the highest degree of performance in the use of EU funds, with a 100% utilization rate. Cyprus is the first of the 28 EU countries to absorb 46 percent of the European Regional Development Fund's contributions. Romania's total absorption rate at the end of 2018 was 26 percent (Kersan-Škabić & Tijanić, 2017).

Regional Perspective

In Africa, the absorption rate is even lower. According to Mikuš et al. (2019) low fund absorption in Global Fund grants has been a persistent and widespread problem in grant execution, especially in Sub-Saharan Africa, which receives roughly two-thirds of Global Fund investment. A total of 20 countries, of which 18 are African, have low absorptive capacity. Government Spending Watch (GSW, 2015), which uses data from 31 developed countries, found that the water, sanitation, and hygiene market had more under-spending on average in 2012 and 2013 than education, health, agriculture, and the atmosphere, with more than a quarter of expected spending going unused in 2012.

Kenyan Perspective

In Kenya, the absorption rate remains at an average of 50 per cent having stood at 44.4 per cent in 2012/2013. Low absorption rates continue to plague development budgets, particularly those funded by donor funds. Around 2013/14 and 2015/16, total absorption rates for national government budgets were at or above 75% (National Treasury, 2018). An average of 30 percent of the money borrowed from bilateral and multilateral lenders such as the World Bank are absorbed each year, according to Findley et al. (2017). For example, only Sh171.9 billion of the Sh565 billion borrowed from the Bretton Woods institution between 2013 and 2015 has been repaid.

Devolved units spent 48.4 percent of their total annual budgets in the first 9 months of the 2018-2019 financial year (Controller of Budget [CoB], 2019). The county's approved budget for the financial year 2018/19 was Kshs.8.84 billion, comprising of Kshs.5.98 billion (67.6 percent) and Kshs.2.86 billion (32.4 per cent) allocation for recurrent and development expenditure respectively (County Government of Nyeri, 2018). According to CoB (2019), total development expenditure of Kshs.602.95 million represented 21.1 per cent of the annual development expenditure budget of Kshs.2.86 billion.

Absorption rate of devolved funds by county governments

According to Article 6 of the First Schedule Republic of Kenya's Constitution, two of the three parts of government, namely the Legislative and Executive branches, are delegated to the 47 Political and Administrative Counties (RoK, 2010). One of the primary goals of devolution was to get government finances closer to voters, allowing them to have a

voice on how county revenues were prepared and spent (Were, 2017). The Kenyan government has developed a complex structural and regulatory system focused on Kenya's 2010 Constitution, numerous Acts of Parliament, and other legislation (Cheruiyot et al., 2017).

Revenue from the national government, revenue raised locally, and revenue from outside sources are all sources of revenue for Kenya's county governments (Gituma, 2017). The equitable share is the sum of money divided vertically by parliament between the central and county governments. The funds come from ordinary tax revenue raised by the national government. Additional funding from the central government's fair share of income is also available to county governments (from the vertical sharing). Conditional allocations or conditional grants are the names given to these extra allocations (Ngicuru et al., 2016).

For devolved funds to be put into good use, a high absorption rate is necessary. Local governments must devote at least 30% of their budgets to growth. County administrations in Kenya, on the other hand, have long been blamed for inefficient use of taxpayer funds. Eight counties, including Nairobi recorded less than 20 percent development fund absorption rate within the first three quarters of the 2020-20221 financial year (CoB, 2021). Institute of Certified Public Accountants of Kenya (ICPAK, 2021) showed that Nairobi, Isiolo, Machakos, Turkana, Kilifi, Taita Taveta, Nakuru, and Elgeyo Marakwet counties, all recorded an absorption rate below 20 per cent with the city county absorbing only 11.1 per cent

Nyeri County Government

Nyeri County is situated in the Mount Kenya Region. The province base camp are situated in Nyeri town. It has a populace thickness of 208 individuals for every Km² (Kenya National Bureau of Statistics [KNBS], 2020). In the 2018-2019 monetary year, the province raised 1B pushing from neighborhood sources and got 6.7B from outer sources which incorporates the public exchanges and awards (County Government of Nyeri, 2020). In the 2019-2020 spending plan, the region designated an improvement use worth 2.5B which addressed 32.08 percent of the complete spending plan. In any case, CoB (2020) reports that the district enlisted a pitiful 3.8% (115M) being developed use. The explanations behind the low retention rate are hazy and a review into the determinants of ingestion pace of declined reserves was ideal.

Determinants of Absorption Rate

Various determinants for low absorption rate have been brought forward by past studies. In a review, Erlina and Muda (2017) observed that financial plan retention was impacted by a blend of planning time, financial plan excess, and neighborhood own-source pay. Spending plan excess and nearby own-source pay significantly affected financial plan assimilation, while planning time had no impact by any means. Financial factors, for example, workforce attributes, decentralization, speculations, institutional system, and foundation improvement all affect how rapidly EU cash might be utilized in a space. Likewise, Incaltarau et al. (2020) found that administration viability and public redirection of cash significantly affected the limit of beneficiary countries to get EU appropriations.

According to Marinas and Prioteasa (2016), Romania's poor absorption rate may be attributed to administrative flaws. Inward assets for project co-supporting, satisfactory regulatory limit at focal and neighbourhood levels, proper between institutional coordination and public-private organizations, as well as exceptionally talented and persuaded HR working in functional program the board specialists and go-between bodies, were totally distinguished by Georgescu (2018) as significant variables in project funding. Budget absorption is positively influenced by financial regulation, competency and bureaucratic environment as well as organisational dedication.

1.2 Statement of the Problem

The ability to absorb financial services allocated by global funds is a critical feature of governance (Kersan-Škabić & Tijanić, 2017). Absorption rate is an important metric for assessing the productivity and overall success of counties when it comes to allocating funds. There would be a deterioration in the current account balance of payments if absorption exceeds income. Failure to invest budgeted money directly influences the pace at which the economy grows and economic expansion is also linked to public and private spending (Achim & Borlea, 2015).

Data from the Controller of Budget shows that the majority of counties only spend less than half of their budgets. (CoB, 2019). There was a 76 percent waste in the first nine months of the financial year 2018/19 for every 100 shillings that devolved entities got from the Exchequer to develop roads, schools, and hospitals and fix sewage lines, distribute water, or establish market stalls. As expected, recurring budgets have a significantly greater absorption rate than development budgets. It's estimated that

recurrence is around 80%-95%, while development is about 59%-76% (Lakin & Kinuthia, 2019). Nyeri County had an overall absorption rate of 50.5% with development absorption rate of only 21.1%.

Low budget absorption is significant because it has a significant effect on inefficient public programs, which leads to unmet societal needs as well as economic development. Despite the availability of funding, taxpayers are denied programs due to the poor absorption rate. This is a troubling trend as it is the development docket through which new services can be developed to make access to basic services easier to the citizen as well as stimulate more economic activity at county level. Poor absorption levels reflect a basic lack of capacity in county governments. Several authors have carried out studies on absorption rate in counties. However, none of these studies sought to find out the determinants of absorption rate.

1.3 Objectives of the Study

The study was guided by the following objectives:

General Objective

To establish determinants of absorption rate of devolved funds

Specific Objectives

- (i) To establish the influence of budgeting practices on absorption rate of devolved funds by county government of Nyeri

- (ii) To determine the influence of disbursement of funds on absorption rate of devolved funds by county government of Nyeri
- (iii) To assess the influence of internal controls on absorption rate of devolved funds by county government of Nyeri
- (iv) To determine the influence of procurement practices, on absorption rate of devolved funds by county government of Nyeri.

1.4 Hypotheses

- H0₁ There is no significant relationship between budgeting practices and absorption rate of devolved funds by county government of Nyeri
- H0₂ There is no significant relationship between disbursement of funds and absorption rate of devolved funds by county government of Nyeri
- H0₃ There is no significant relationship between internal controls and absorption rate of devolved funds by county government of Nyeri
- H0₄ There is no significant relationship between procurement practices and absorption rate of devolved funds by county government of Nyeri

1.5 Significance of the study

The findings of this study revealed determinants of absorption rate of devolved funds. County governments in Kenya benefit by finding out the barriers to optimal absorption rate. They will therefore be in a position to come up with strategies to fill the gaps to enhance absorption rate. The controller of budget may use the findings of this study to advice counties on the best ways of improving absorption rate. The national assembly and

the senate may use the findings to inform their legislation in matters regarding absorption of funds. Researchers may use the findings of this study as reference material.

1.6 Scope of the study

The current study sought to find out determinants of absorption rate of devolved funds by County governments. Selected determinants in the current study comprised budgeting practices, disbursement of funds, internal controls and procurement practices. These determinants were selected from review of past studies conducted elsewhere. The study focused on Nyeri County. Nyeri County was selected due to its low absorption rate relative to the average national rate. Financial officers in the county government were the respondents in the study. The study focused on the absorption rate of three financial years (2017-2020) and the practices during that time.

1.7 Limitations

The study was limited to the County Government of Nyeri. In regards to determinants of absorption rate, the study was limited to budgeting practices, disbursement of funds, internal controls and procurement practices. Respondents have a propensity to be wary of researchers, and it was expected that some of them might be worried regarding the amount of details they might be needed to give without fear of repercussions; nevertheless, this worry was alleviated by the letter from KEMU University, which provided the requisite assurance to the respondents. Because of the issue of confidentiality, the researcher told the respondents that none of the information was used for purposes other than those specified.

1.8 Assumptions of the Study

In carrying out this study, the researcher assumed that the financial figures reported by County Government of Nyeri and the Controller of Budget pertaining to absorption rate are accurate. The researcher assumed that the County Government of Nyeri conducted its financial affairs in compliance with the Public Finance Management Act, 2012. The researcher also assumed that respondents in the study were truthful in the information they provide.

1.9 Operational Definition of Terms

Absorption rate	The share of the actual expenditure by a county government out of the budgeted expenditure (the target)
Budgeting practices	The way county governments go about building its budget including planning, implementation, monitoring and evaluation
Devolved Funds	Revenue received from the national government by county governments
Disbursement of funds	Logistics of release of county funds from the treasury
Internal controls	Approaches and methodology that shield an area government's funds, guarantee exact fiscal reports, urge adherence to laws and guidelines, and guarantee fruitful and profitable tasks.

Procurement practices

Looking for and getting items, administrations, or works from an outsider, as a rule by an offering or open offering system.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a literature review, focusing on the conceptual and theoretical frameworks as well as hypotheses supporting this research. Literature has been generated from existing theoretical literature, and a criticism of current literature about internal controls, budgeting procedures, procurement rules, and disbursement of funds will be offered, along with a summary of the literature. A conceptual framework is also presented.

2.2 Theoretical Review

The current study was anchored in the agency theory, organizational theory and contingency theory. Agency theory relates by budgeting practices and procurement practices. Organizational theory supports the disbursement of funds and internal controls. Contingency theory anchors the budgeting practices and internal controls.

Agency Theory

The study is anchored in the agency theory. In a formal context, this theory dates from the early 1970s, but the ideas that underpin it have a long and diverse history. According to Minick (2011), Stephen Ross and Barry Mitnick, working separately and approximately at the same time, became the first researchers to directly formulate and begin developing a philosophy of agency.

Agency Theory is a business and economic theory that discusses how firms have different partnerships and spheres of self-interest. Understanding agency philosophy necessitates the awareness of a few primary words and principles (Agoglia et al., 2015). To do a task on their behalf, a school administrator will recruit an assistant. The term "agency" refers to the relationship between a principle and their representative. It is difficult for principals to oversee agency activity because they lack faith in the integrity of their agents. To do a task on behalf of another person, an agent becomes liable to that person. The principal holds the agent responsible. The division of possession from the board, different danger insights, information unevenness, and good risks all add to the irreconcilable circumstance and organization cost (Panda & Leepsa, 2017).

According to the Institute of Chartered Accountants (ICA, 2015), agency theory is a valuable economic theory of responsibility that seeks to understand the evolution of auditing. Agoglia et al. (2015) indicate that the accounting literature also uses agency theory to justify and forecast the hiring and results of external auditors. Agency theory is also a valuable analytical basis for studying the role of internal auditing. Agency theory not only seeks to understand and forecast the nature of internal audit, but also the position and duties delegated to internal auditors by the organization, and that agency theory forecasts how the internal audit process will be influenced by organizational change. (Safriliana et al., 2018).

A well-functioning public spending control scheme is regarded as a key component of government performance. According to Terai and Glazer (2015), the principal will prefer that agents show their forms, while agents profit from making the principal assume that

they share his interests. Since observing the agents' actions in the first year, the principal awards a bigger budget to the agent that he feels is most likely to share the principal's interests in the second period. When it comes to budget distribution, legislators should serve the people's needs. In reality, lawmakers and the general public do not necessarily have the same interests (Marwan et al., 2017). Agency theory was therefore fitting in this study because it focuses on budgeting of public funds where principal-agent conflicts exist.

Organizational Theory

The Organizational Theory alludes to a bunch of interconnected terms and implications that portray how people, associations, or subgroups work with each other to do activities pointed toward accomplishing a common perspective (Mazur, 2010). It is the name given to a set of propositions established in the field of organizational science. Observation and study are used to gather knowledge on how an organisation functions and how it interacts with its environment, and it gives an analysis of organisations in action (Crowther & Green, 2004).

Organization was seen as a mechanism by classical authors, and human beings were seen as components of the machine. They believed that increasing the productivity of the organization could be accomplished by making human beings more effective (Lorenz, 2001). Their focus was on specialization and activity coordination. Organizations, described as "individual units of people organized and controlled to fulfill a need or achieve common interests," are said to have risen in the United States in a number of social and historical contexts. Several of these causes are credited with making

organizations competitive and essential choices for people, and they built on one another to propel organizations to their current prominence (Shukla, 2008).

Modern OT sees the company as an open structure, reflecting the fact that companies work in a variety of markets and communicate with a variety of stakeholders (Daft & Marcic, 2016). Organizational behaviour supplements organizational philosophy, which focuses on organizational and intra-organizational issues, as well as human-resource research, which are more concerned with daily management activities. When it comes to managing an organization's money, financial accounting is all about safety and efficiency. Goals of financial management include maximising profits, making sound financial decisions, and guaranteeing appropriate cash flow (Shukla, 2008).

The transformation and dynamic use of conventional monetary and monetary approach speculations to monetary administration choices in the public authority sense is hampered by the exceptional authoritative and monetary highlights of region governments. Elected officials, civic engagement, a mixed management system of technical and financial managers, various priorities, and regulatory limits on the disposal of profits and assets are among these features.

Contingency Theory

The contingency theory was created by Fred Fiedler in 1958 during his exploration of pioneer adequacy in bunch circumstances. Fiedler contended that one's capacity to lead was dictated by their order of the circumstance and administration style (Otley, 2016). This hypothesis is just a variety of the cycle's operational hypothesis. The key idea is that

there is nobody right approach to lead an association. There are dreadfully numerous outside and inner variables that can impact what is actually the correct method to lead in a given circumstance (Wadongo & Abdel-Kader, 2014). It is advantageous for businesses to employ the contingency theory, according to Lumpkins et al. (2010), since it enables them to learn from specific circumstances and apply what they have learned to the management of similar or identical scenarios.

This hypothesis depends on the reason that no specific authoritative design is generally relevant to all associations (Kulkami, 2017). Technology developments, foreign pressure parties, regulatory policies, staff union requests, shifting consumer tastes, and changes in available supply and demand are six of the most widely cited contingencies that market leaders face (Lumpkins et al., 2010).

The assessment rubric in Fiedler's contingency theory methodology assesses how well an organization's management adheres to existing values. It aids in the comprehension of dynamic entities by focusing on the multivariate existence of organizations (Wadongo & Abdel-Kader, 2014). It aids an organization's ability to function in a variety of environments. Rather than providing a single solution to a problem, it offers a structure in which each solution is dependent on the surrounding circumstances (Lumpkins et al., 2010).

Monetary chiefs have utilized the possibility theory in dynamic, particularly in vital long haul and momentary monetary arranging, to represent certain assumptions that support the choice. Financial administrators may use Scenario Planning to put the contingency principle into effect (Anwar, 2015). In the context of this study, county governments are

unique in the way they are managed and therefore management approaches for example budgeting and procurement are contingent upon the internal and external situation.

2.3 Overview of Absorption Rate

Lannai and Amin (2020) discoveries show that monetary guideline, spending ingestion, mechanical assembly capability, regulatory environment, and authoritative responsibility all suffer a heart attack and critical effect on spending assimilation; this outcome infers that the South Sulawesi Provincial Government's activities and exercises are as yet determined by the local area's inclinations as standards in the arranging and execution.

2.3 Empirical Review

Budgeting Practices

It was the goal of the Rachman et al. (2020) research to identify the elements that cause delays in the absorption of the expenditure budget of the Bogor City Government in order to establish a strategy to improve this budget absorption's success rate, It took longer than expected to absorb Bogor City Budget because of five variables: difficulties linked to the procurement of products and services; legal and bureaucratic hurdles; working circumstances; ASN human resources; and effect of financial operations and government budget distribution. Improved budget planning and purchase of service products, together with better ASN human resources, are the primary strategies for increasing the absorption capacity of the Bogor municipal government budget.

When it comes to expenditure, Erlina and Muda (2017) looked at the impact of planning time, spending surplus, and neighbouring own-source revenue in the North Sumatera Regency/Municipal Government in Indonesia. The regency/municipal governments of North Sumatera Province's budgeting period has minimal impact on budget absorption, however the province's budget surplus and local own-source revenue do.

With the spending overseer culture as an arbitrator vector, Henry (2018) explored and examined the effect of preparation, the executives, government interior control official (APIP), and strategy on the postponement of spending retention at the Directorate General of Early Childhood Education and Community Education. The findings of this study show that strategy, management, APIP, and enforcement both have a substantial impact on budget absorption delays. Partially, planning, management, and policy have a substantial impact on budget absorption delays, although APIP has little impact.

Kibunja (2017) looked into the connection between the budgetary mechanism and the financial results of Kenya's Murang'a County Government. The study's basic goals were to assess the impact of budgetary preparation, execution, reporting, and assessment on Murang'a County Government's financial results. The research discovered that, despite decentralizing financial reporting to branches, there were inefficiencies in terms of technology implementation, supervision, regulation, and timely supplementary budgeting. The facets of budget monitoring that were examined showed flaws in internal controls, such as auditing, stakeholder supervision, and regulatory enforcement. Similarly, budget assessment procedures were ineffective because county financial audits were not accurate and transparency was lacking. The report found that the budgetary

mechanism, which included planning, execution, reporting, and assessment, had a relationship with the county government's financial success and had a direct impact on it.

Mathenge et al. (2018) looked into the financial factors that influence budget execution in Kenyan counties. Budget implementation faced many obstacles, according to the report, including inadequate funding, structural failure, unsatisfactory budget distribution methods, and executing programs that were not budgeted. It was also discovered that citizen interest in budget planning is a critical issue. Even though policy and legal processes are improving, those inadequate systems and skills of workforce expertise were still missing.

Orina et al. (2019) investigated the factors that influence budgetary allocation in Kenyan county governments. The real cash balances of county government agencies were compared to their expenditure allocations, and significant discrepancies were examined. Budgetary controls were critical in county budgetary allocations; budgetary allocations were made based on projected income and expense estimates. The budgets of counties included narrative detail.

Cheruiyot (2018) discovered that financial planning and budgeting activities have a favorable statistically meaningful association with efficiency. Financial planning reform is vital to the progress of every county government, according to the report. Financial planning's primary objective is to determine the financial support needed to execute the programs and events necessary to meet the county's comprehensive growth plan's priorities and objectives, to ensure that money is available where and when it is needed, and to track resource efficiency and progress against the goals and targets. Financial

preparation further aids in the development of priorities, strategies, processes, and services for dealing with the county government's financial operations.

Kathungu (2016) investigated the impact of expenditure utilization on county government financial results in Kenya. The examination tracked down that joint spending usage, which incorporates planned district spending to planned area incomes, genuine region uses to real province incomes, and region administrations to the region destitution file, has a positive effect on areas' monetary productivity.

The research by Putri et al. (2021) looked into the impact of budget preparation, budget implementation, goods/service supply, and human resource expertise on budget absorption in Palembang City's municipal apparatus organization. The findings revealed that budget preparation, budget implementation, and product/service acquisition all had a significant impact on budget absorption, while human resource expertise had little impact.

Abdinur (2019) examined the numerous public financial management reforms that occurred in Kenya between 2000 and 2017, with the aim of determining whether these revenue-enhancing public finance reforms had a positive effect on public finance transparency and accountability. To investigate the impact of public finance legislation on governance and accountability, the researchers used time series techniques. Asset retention was utilized as a substitute for receptiveness and responsibility proportions in this report, while charge pay, worldwide awards, and spending shortages filled in as logical factors for public money and financial changes. The limits test uncovered that the reliant variable (spending ingestion rates) and the informative factors (awards pay, charge

income, and spending deficiency) have a since quite a while ago run relationship. The disequilibrium in the short run model was revised at rates going from 71% to 100%, which demonstrated the general speed at which since quite a while ago run balance changes happen. As indicated by the discoveries of the since a long time ago run relapse, income upgrading monetary strategy changes in expense and awards had a constructive outcome on spending responsibility and straightforwardness. Samira (2018) results revealed that a large number of respondents believed that the budgeting mechanism had an effect on the county's financial efficiency. However, there seemed to be no clear consensus about what county regulations led to better financial results (54 percent).

Disbursement of Funds

Mathenge et al. (2018) looked at the financial factors that influence budget execution in Kenyan counties, with a focus on Kirinyanga, Muranga, Nyeri, and Nyandarua. Many issues have arisen during the execution of the budget. Any of the projects started when the Counties were established; but, due to a lack of a legislative structure, some of these projects have been abandoned and remain unfinished. The formulae calls for assets to be distributed quarterly, however the public depository discharges them week after week or late because of monetary requirements. This hinders spending plan execution since project the executives is a rigid cycle including offering, project determination, and different methodology, and defers in distributions impede the execution of continuous undertakings and installment of the equivalent, bringing about huge forthcoming bills, especially close to the furthest limit of the monetary year.

Inadequate agricultural funding is a concern in counties, according to Kenya Institute for Public Policy Research and Analysis (KIPPRA, 2018). The majority of the county governments' operations are funded by funds disbursed by the central government. The majority of the time, funds are not disbursed on time, causing delays in the supply of extension services and inputs to growers. According to the Narok County Government (2018), a large number of programs and schemes in all branches have received little or no funds for scheduled operations. This had a negative impact on departments' budgets, including a shortage of required office supplies and services including electricity and water. This had a negative impact on departments' activities, including a shortage of essential office supplies and services including power, water, and office furniture, which hampered service delivery. Overall, money from the national treasury was sent late to the county treasury. This meant that only a small amount of information could be absorbed during the implementation of scheduled operations. Sensitive programs in certain departments, such as food, agriculture, and water, have been left to the creditors as a consequence of a shortage of and insufficient financial funding, which is not just unsustainable but also volatile. This meant that only a small amount of information could be absorbed and used in the conduct of scheduled operations.

According to an internal analysis conducted by the County Government of Nakuru (2018), fund absorption issues arose, according to the study, as a result of the need to do a thorough analysis of existing construction programs and associated outstanding bills. However, the National Treasury's delayed disbursement of funds proved to be a factor in the capital expenditure's minimal absorption. Late disbursement of cash flow to the county treasury, which has a negative impact on supplier payment, was also described as

an obstacle by the County Government of Mombasa (2018). Unmet local tax expectations and late disbursement of funds, according to the Kisii County Government (2019), could stymie the execution of the County's priorities. Furthermore, threats may arise as a result of government spending pressures.

Kibunja (2017) looked into the connection between the budgetary mechanism and the financial results of Kenya's Murang'a County Government. The study's basic goals were to assess the impact of budgetary preparation, execution, reporting, and assessment on Murang'a County Government's financial results. The research discovered that, despite decentralizing financial reporting to branches, there were inefficiencies in terms of technology implementation, supervision, regulation, and timely supplementary budgeting. The facets of budget monitoring that were examined showed flaws in internal controls, such as auditing, stakeholder supervision, and regulatory enforcement. Similarly, budget assessment procedures were ineffective because county financial audits were not accurate and transparency was lacking. The report found that the budgetary mechanism, which included planning, execution, reporting, and assessment, had a relationship with the county government's financial success and had a direct impact on it.

Cheruiyot (2018) discovered that in many countries, the majority of county councils tend to increase rates, fines, and other costs, despite the fact that they may have a negative economic impact on the general public. By themselves, the rate and styles of local revenue instruments will cause the tax burden to fall more heavily on the poor than on the wealthy. This is mostly attributed to the simple nature of the county government's tax structure, as well as the manner in which taxes are received in most parts of Africa.

According to the report, a complex and opaque county government tax scheme is expensive to maintain and encourages waste and mismanagement. Players in policy formulation and execution, including County Executives and County Assemblies, should participate in frequent capacity-building training programs.

The failure of most schemes in various counties has been largely attributed to the late disbursement of funds. Several ventures have been left unfinished owing to a shortage of funding (Kamau & Muturi, 2015). According to the Auditor General's Report (2015), 70% of the country's provinces have recorded misbehaviors including robbery, botch, misrepresentation, and misappropriation of assets made arrangements for development activities to other undeserving undertakings.

Kariithi and Mbugua (2018) study pointed toward discovering the variables affecting execution of County advancement financed projects in Kenya. Explicitly The examination pointed toward setting up what venture subsidizing and political components mean for execution of activities. Discoveries demonstrated that delays in dispensing of region assets from the depository created setback for the execution of region projects. Challenges associated with projects financing, according to Mburu and Muturi (2016), caused the projects s' inability to be completed on time. According to their research, respondents agreed on less than 60% of the project's aspects, including the fund distribution mechanism, budgeting, and funds disbursement. The report concluded that a lack of funds hampered the timely execution of county-funded programs based on these results.

Mogaka (2017) investigated the impact of fund disbursement practices and donor-funded health projects execution. Throughout the duration of a donor-funded health initiative, budget sharing assists with directing resources to projects. Organizational culture is a significant influence in the workplace and, as a result, a key motivating factor in the successful execution of a mission. The execution of donor-funded health programs was positively influenced by organizational structure. According to the respondents, the company structure was lean in order to avoid overlap of tasks while still speeding up the decision-making process. However, some respondents stated that the decisions taken were not always sound and were biased.

The aim of Njihia's (2015) report was to determine the difficulties that county governments face when it comes to budget absorption. Furthermore, the funds disbursed were insufficient to meet the needs of county governments in terms of growth. As funds were required for absorption, there were delays in receiving them, which had an effect on the degree of absorption. There were also bureaucracies in the release of funds; funds were often diverted from their original intended intention in lieu of recurrent spending, implying that funds reserved for construction were diverted to recurrent expenditure, resulting in a low degree of absorption of development funds. It was unclear whether and how the national treasury guarantees the funds are distributed evenly through agencies. As funds were released from the national government, the county treasuries were found to be inefficient in disbursing funds for different schemes, which affected funds absorption in both growth and recurrent spending. Overall, existing fund disbursement activities were found to have a detrimental effect on county budget absorption, despite the fact that they were critical in maintaining performance.

Internal Controls

Tosun (2014) inspected the determinants of retention productivity in European Union Member States during the 2000–06 programming pattern of the European Regional Development Fund (ERDF). The discoveries of Tobit models show that ERDF assimilation and government ability are decidedly connected. Moreover, higher-pay Member States were less ready to expand the ingestion of their ERDF assignments. At last, there is some proof to help the hypothesis that monetary decentralization decreases assimilation proficiency.

The research by Ardiansyah et al. (2017) looked at the impact of time constraint and instability on absorption. The findings revealed that financial accounting and expenditure absorption have a constructive and meaningful relationship. Furthermore, the study discovered that time constraint and instability in the atmosphere have had little effect on the relationship between them.

The exploration by Friyani and Hernando (2019) looked to examine the effect of nearby government worker getting, preparing, and outside. Preparing, mindfulness, schooling, and outside pressure all had a positive effect on the viability of execution-based spending execution and spending ingestion, as per the information. The research by Pribadi et al. (2020) looked at the impact of human resource synergy and competence on budget absorption efficiency. The findings of the study revealed that human resource synergy and experience had a favorable and substantial impact on budget absorption efficiency.

In Onyango's (2015) research, employees did not file weekly updates or hold meetings to discuss the success of operations, according to the survey. Employee work was not reviewed by others, according to the report, and there was no specific division of roles among staff. Owing to insufficient experience, the majority of County Government staff were found to be ICT illiterate and unable to send information electronically to their superiors. Owing to insufficient preparation, the majority of county governments remained unaware of the global climate, including political, economic, social, and technical issues, according to the report.

Kibunja (2017) looked into the connection between the budgetary mechanism and the financial results of Kenya's Murang'a County Government. The study's basic goals were to assess the impact of budgetary preparation, execution, reporting, and assessment on Murang'a County Government's financial results. The research discovered that, despite decentralizing financial reporting to branches, there were inefficiencies in terms of technology implementation, supervision, regulation, and timely supplementary budgeting. The facets of budget monitoring that were examined showed flaws in internal controls, such as auditing, stakeholder supervision, and regulatory enforcement. Similarly, budget assessment procedures were ineffective because county financial audits were not accurate and transparency was lacking. The report found that the budgetary mechanism, which included planning, execution, reporting, and assessment, had a relationship with the county government's financial success and had a direct impact on it.

Internal management procedures and results have a strong statistically meaningful association, according to Cheruiyot (2018). As per the consequences of the report, region

legislatures that put resources into solid inner control frameworks performed better compared to those with a poor interior control framework. As indicated by the discoveries, area state run administrations that stuck to trustworthiness, lawful qualities, risk the board, control practices, and detailing methods performed well. While inner review is one field with the mastery to decide viable utilization of public monetary administrations and assist with upgrading oversight and execution, the job of inside review in the further developing public monetary administration process has gotten little consideration from the policy management. As a result, county governments needed to thoroughly engage in robust internal management mechanisms to help prevent theft.

Jupriadi et al. (2019) study aims to describe the optimization model of BOPTN budget absorption on FEB, FISIP and ULM FH 2016 S / D 2018 and identify constraints faced in optimizing the budget absorption. Employee competencies and budget absorption performance have a unidirectional relationship, if employee competencies are higher, the higher also the level of performance of budget absorption. Similarly, the role of information technology is so important in the budget process. Maintenance and repair of hardware and software that are compiled in a comprehensive, clear and periodic manner.

The impact of internal control mechanisms on financial administration in Kenya's Baringo County government was investigated by Lagat et al. (2016). According to the findings of the study, control practices and tracking of information communication technology have a substantial impact on financial management. Control practices and ICS reporting greatly anticipate improvements in financial management, while control climate and knowledge do not.

The research by Tismaningsih et al. (2019) looked at the impact of financial manager competency factors, organizational engagement, and time constraint on financial management efficiency. The aim of this research is to see how the Denpasar Indonesian Art Institute's financial management success affects budget absorption. The findings revealed that while financial managers' integrity and organizational engagement have little bearing on financial management success, time pressure does. Furthermore, the findings of the study show that financial management efficiency has an effect on budget absorption at Denpasar Indonesia Institute.

Wakiriba et al. (2014) investigated the impact of control operation on financial management. As indicated by the discoveries, the public area has an effective inside control structure set apart by predictable undertaking separation, oversight, and the board commitment. Nonetheless, since the inner review job isn't all around applied to all organizations, there are imperfections in the utilization of monetary controls. As far as monetary administration, the review reasons that the prudential use of monetary administrations is deficient, regardless of further developed resource usage and pay and cost order. The review's finding is that observing practices and monetary organization have a huge positive relationship.

The aim of Njihia's (2015) report was to determine the difficulties that county governments face when it comes to budget absorption. One of the study's goals was to determine the impact of the implementation team's manpower capability. The findings on the county governments' workforce capability showed that the counties had hired enough people to complete tasks. Since then, the presence of sufficient staff has been linked to

rate of expenditure absorption in numerous agencies and counties. There was also consensus that different agencies within the County Governments had the requisite expertise to ensure that programs were well undertaken and funds were used wisely in the specified functions. The majority of county government directors and heads of offices decided that employees in their departments be hired based on educational merit. In terms of workforce familiarity with projects execution, it was agreed that the bulk of staff in county government offices have extensive experience with public projects implementation. However, there were differing views about whether the counties held regular trainings and capacity-building activities to improve professionalism in fund absorption. Individual personnel capability components were found to have a substantial impact on expenditure absorption.

The findings showed that their counties had budget control committees in existence, but there were varying views about whether the participants were chosen on merit and whether they served as separate bodies. The workers believed that the investigative committees' legitimacy had been jeopardized to a great degree. It was unable to prove whether or not oversight committees were neutral. Since the county budget review committees were underfunded to carry out their mandate, their effectiveness was questioned. Implementation took the recommendations of the county budget review committees seriously to some degree. The committees' reactions to budget questions differed as well. Despite the mixed opinions, it was discovered that there was a substantial link between effective oversight committee reaction and county budget absorption in both growth and recurring expenditures.

Muuri's (2017) research tried to evaluate the effect of inner inspector opportunity, flow inside control instruments, interior examiner uprightness, and top administration support on inward reviewer adequacy. Inward reviewers in the district were viewed as wasteful in doing their command, as per the report. Inner evaluator freedom in the region is powerless, as per the survey, because of a low observing cycle, limited admittance to information, an absence of opportunity to survey task, and the shortfall of a hierarchical review board of trustees. Inside observing were all the while lacking, including dependable and full announcing, programmed cycles, and faculty pivots. Inner evaluator ability in the district was all the while coming up short on; the labor force blend needed required capabilities, and there were no sufficient projects for proceeded with proficient progression set up. The report likewise found that the region's top administration didn't enough hug the interior review capability by allotting adequate assets, following up on review suggestions, and giving sufficient inside review faculty. Inside reviewer opportunity, current inside controls structures, inward examiner honesty, top administration support, and interior evaluator viability were completely found to have a genuinely significant positive relationship in the report.

Kiambu County Level Five Hospitals were studied by Njagi and Mwangi (2019). The study indicated that the environment of controls had a major impact on revenue collection. Management at level five hospitals is always devoted to ethical business operations and maintains integrity. Discipline and structure are provided at Kiambu's level five hospitals by management who are devoted to competency and influencing the control awareness of its employees. Internal control systems are examined and evaluated by hospitals to ensure that they are sufficient for the organization's needs. Furthermore,

the research found that increasing surveillance and control mechanisms contributes to increased revenue generation. To ensure the collection is completed, level five hospital administration closely tracks the consistency of the systems' efficiency and efficacy. Monitoring has allowed hospitals to decide what protocols and practices are being implemented, while routine oversight and management exercises have helped to reduce revenue waste. In addition, oversight in level five hospitals means that audit and other evaluation results are immediately addressed. Finally, the study discovered that there is a substantial connection between risk management and revenue generation.

Interior control exercises that influence area state run administrations to smooth out processes and work productively and satisfactorily to bring about some benefit for the overall population were explored by Ahmed and Ng'ang'a (2019). Subsequently, the review's principal objective was to survey the interior control systems and monetary execution of province legislatures in Kenya's seaside district. The review's objective was to decide the effect of the review capability, risk control, fiscal reports, and money the executives on province government monetary outcomes in the waterfront region. Risk the executives, revealing, control environment, data, and correspondence all significantly affected monetary outcomes, as per the report. The investigation discovered that risk evaluation and evasion assume the main part in forming region states' monetary proficiency. Thus, risk appraisal is fundamentally the essential beginning stage of any gamble the board plot, as the Counties can't deal with what they don't have the foggiest idea. The capacity to screen the County's monetary outcomes gives more noteworthy lucidity and trust in going with both short and long-haul choices. Thus, the organization will be more joyful and flourish at a higher speed. The control environment serves as the

foundation for implementing internal control in the enterprise. Adoption of effective information and communication technology is critical to ensuring that county governments increase their financial efficiency.

Procurement Practices

Planning, administration, human resources, goods/service procurement, and regulation all played a role in this study by Andriaty and Permana (2020), which aimed to see how they interacted with budget absorption timetables. Explanatory research is a sort of quantitative research used in this study. The participants in this study are all officers of the Ministry of Home Affairs' Office of General Inspection. An SEM (Structural Equation Model) measurement model is used to do this data analysis in Smart PLS version 3. The Inspectorate General of the Ministry of Home Affairs' budget delays may be attributed to a variety of issues, including those related to planning, administration, procurement, and regulation. The Ministry of Home Affairs' Inspectorate General's budget delay isn't due to human resources, it turns out.

The administrative procedure for carrying out the operations would be delayed if the budget is not determined in a timely manner. Contract signing with suppliers and third parties as contractors will be delayed as a result of the procurement mechanism's inability to be completed on time, but the completion date for projects cannot be postponed. Ultimately, many events and projects will either not be finished in time or will have to be cancelled because they cannot be accomplished in such a short amount of time (Erlina & Muda, 2017)

Cheruiyot (2018) discovered that public procurement methods had a favourable significant link with performance. According to the findings, a county government's performance is influenced by the efficiency with which Public Finance Procurement processes are implemented.

Kibunja (2017) looked into the connection between the budgetary mechanism and the financial results of Kenya's Murang'a County Government. The study's basic goals were to assess the impact of budgetary preparation, execution, reporting, and assessment on Murang'a County Government's financial results. The research discovered that, despite decentralizing financial reporting to branches, there were inefficiencies in terms of technology implementation, supervision, regulation, and timely supplementary budgeting. The facets of budget monitoring that were examined showed flaws in internal controls, such as auditing, stakeholder supervision, and regulatory enforcement. Similarly, budget assessment procedures were ineffective because county financial audits were not accurate and transparency was lacking. The report found that the budgetary mechanism, which included planning, execution, reporting, and assessment, had a relationship with the county government's financial success and had a direct impact on it.

Cherotich (2018) investigated the impact of procurement activities on Kericho County's results. The project was motivated by the following goals: To assess the efficacy of procurement preparation, professionalism, financial management, and tendering on the Kericho County government's results. The study's results revealed that procurement preparation and professionalism had a favorable and statistically important impact on the

success of Kericho County government. Financial management and tendering, on the other hand, had an inverse yet positive impact on results.

Muiruri and Kihara (2018) showed that E-sourcing, E-payments, E-tendering and Electronic Data Interchange influence procurement performance. The study results also revealed that E-sourcing, E-payments, E-tendering positively and significantly influences procurement performance while Electronic Data interchange positively but insignificantly influences procurement performance. The study concluded that E-payment outcomes such as convenience, security, financial risk management, transaction efficiency and compatibility leads to improvement in procurement performance. Further, the study concluded that improvement in various indicators of E-Tendering such as audit management facilitates, bid analysis, error management, inventory management and security analysis during tendering will all eventually lead to a significant improvement in procurement performance.

In Njihia's (2015) study, procurement procedures were marked by a high level of bureaucracy, and the period between submitting a requisition for procurement and receiving the products had a negative impact on projects delivery and, as a result, on budget absorption rates. The procurement team's competence was questioned. Despite the fact that procurement departments have a large number of employees, the number of employees had little noticeable impact on the procurement function's success, implying that the number did not equate to productivity levels. As a result of the acquisition function's delays, certain purchases are made because there isn't enough time to carry out

the scheduled plans, further delaying budget absorption. Overall, acquisition tasks had a detrimental impact on expenditure absorption.

Wanjugu et al. (2018) investigated the impact of purchasing inspection on procurement efficiency in Nyeri County's level four public hospitals. The results of the study showed that quantity inspection of purchases, contract terms verification, purchase order verification, and quality inspection of purchases all had an impact on procurement efficiency. Furthermore, the majority of the hospitals lacked risk identification and assessment monitoring systems. The report also found that successful inspection had a substantial influence on product safety and hospital procedures as a whole.

Wanjiru et al. (2018) investigated the impact of strategic procurement activities on Nyandarua County Government results. The analysis primarily looked at the impact of the buyer-supplier relationship on the County's results. Agency Theory was used in the research. According to the findings, the buyer-supplier partnership is a significant determinant of county government efficiency.

Kigen et al. (2017) studied whether supplier contracting on procurement performance in devolved governments, to establish whether supplier relationship management influence procurement performance in devolved governments and to explore whether supplier development affect procurement performance in devolved governments. According to the results, the coefficient of determination for the Procurement Performance regression model was 0.632 and R was 0.795. The R Square coefficient of determination suggested that the collection of independent variables, could explain 63.20 percent of the difference in Procurement Performance. Other factors not used in this model can describe the

remaining 36.80% of heterogeneity in procurement performance. By elaborating current hypotheses, models, and observational studies on the impact of supplier management on procurement efficiency.

A study by Muhalia and Getuno (2016) studied the influence of procurement standards on procurement performance. The study found that purchasing professionalism influenced procurement performance of Kakamega General Hospital. The study found that purchasing positioning influenced procurement performance of Kakamega General Hospital. The study revealed that supplier relationships influenced procurement performance of Kaka mega General Hospital. The study found that procurement practices influences procurement performance of Kakamega General Hospital.

2.4 Summary and Gaps

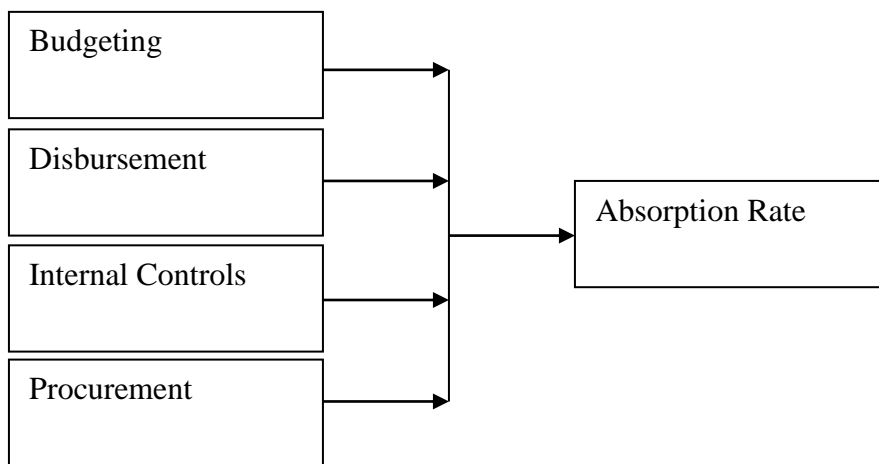
Reviewed literature leaves no doubt that counties are struggling to absorb disbursed funds. However, the researcher did not come across any study that assessed absorption challenges in Kenya. The researcher came across a lot of studies which have focused on budgeting practices, disbursement of funds, internal controls and procurement practices. These studies found that counties had poor budgeting practices, few internal controls and poor procurement practices. However, these studies did not relate these variables to absorption rate. Majority of available studies are from other countries that have different forms of devolution. In addition, the total number of available studies on absorption rate is low. To fill this gap, the study sought to establish determinants of absorption rate of devolved funds by focusing on budgeting practices, disbursement of funds, internal controls and procurement practices and how they influence absorption rate.

2.5 Conceptual Framework

A conceptual framework, as indicated by Mugenda and Mugenda (2010), is a conjectured model that distinguishes the subjects being scrutinized and their connections. It shows the connection between subordinate variable and free factors. The conceptual framework in Figure 2.1 shows the variables in the study.

Figure 2.1

Conceptual Framework



Independent Variables

Dependent Variables

Source: Author (2020)

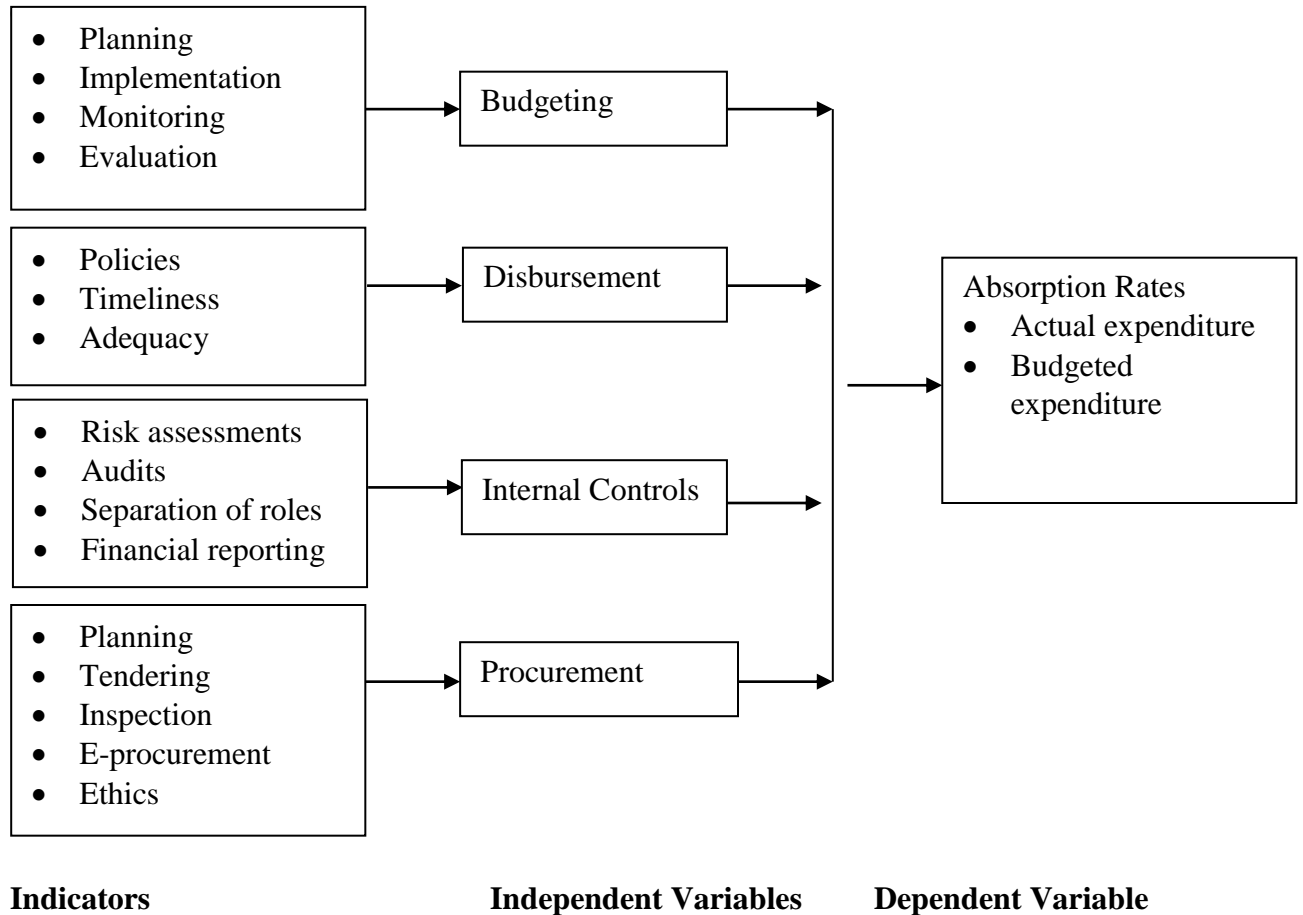
The purpose of this study was to reveal determinants of absorption rate of devolved funds in County governments. The independent variables comprised budgeting practices, disbursement of funds, internal controls and procurement practices which make up the independent variables in the study. Absorption rate was the dependent variable.

2.6 Operational Framework

Figure 2.2 shows the operational framework which shows all the variables in the study. The indicators which render each variable measurable are also shown. The arrows show the direction of the relationships as hypothesized in the current study.

Figure 2.2

Operational Framework



Source: Author (2020)

The study sought to reveal determinants of absorption rate of devolved funds in County governments. Selected determinants in the current study comprised budgeting practices, disbursement of funds, internal controls and procurement practices which make up the independent variables in the study. Absorption rate was the dependent variable.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology which explains the research design, target population and sampling design used in the study. The research instrument and its validity and reliability are also presented. In addition, data collection procedures, data analysis procedures and tests as well as presentation techniques are enumerated.

3.2 Research Design

Research design, according to Akhtar et al. (2016), is a concept or arrangement that serves as a short plan for a planned research projects . It's a framework within which a study is carried out. It lays out the process of data collection, calculation, and interpretation. It tries to answer certain questions as why, what, where, when, how of a research study. This study used descriptive cross-sectional survey design. Descriptive analysis is justified because it helps to characterize a group, condition, or phenomena adequately and systematically. It entails watching and explaining a subject's behaviour without manipulating it in any way (Burns, 2010). The researcher preferred this design as it enabled her conduct the study into determinants of absorption rate of devolved funds in a timely and cost-effective manner.

3.3 Target Population

Mukul (2011) defines a population or universe as the set of elements about which you would like to draw conclusions. The target population for this study comprised 34 senior officers in the department of finance and economic planning in Nyeri County. Nyeri county was selected due to its low absorption rate relative to the average national rate. This approach was selected because the total population was small. In addition, the officers were located in the same building and the researcher was able to reach them without using much time or funds. Results of a census are also more reliable as they are free of sampling bias.

3.4 Data Collection Instrument

A self-administered questionnaire was used to gather data. Because questionnaires can collect a vast amount of data from a big population in a short period of time, they were selected. Survey data also makes it easier to conduct research (Burns, 2010). Researchers prepared the surveys. There were a large number of questions with a five-point scale in them. The likert scale was chosen because it is easy to implement and rate certain questions, and it lends itself well to item review procedures (Dawson, 2009). The questionnaire was divided into six parts, numbered A through F. Section A gathered information on the respondents' socio-demographic characteristics. Budgeting procedures, disbursement of money, internal monitoring, and acquisition practices were the independent variables studied in Sections B-E. The dependent variable, absorption, was studied in Section F. The instrument's majority of questions were in the shape of a

Likert Scale. In addition, the questionnaire includes multiple choice and open-ended questions to enable the instrument to thoroughly investigate the study's variables.

3.5 Pilot Test

Pretesting is a way of ensuring that queries function as expected and that those who are likely to answer to them understand them (Hilton, 2017). Pretesting a questionnaire is a simple and low-cost way of finding problems with a questionnaire. A small pilot research was conducted to see if a questionnaire can be changed to reduce response errors, such as a respondent misinterpreting a question. In this study, a pre-test was conducted in Nyeri County. Pre-test samples in descriptive surveys, according to Mugenda and Mugenda (2010), should be equivalent to 10% of the main sample.

Validity

The degree to which an instrument calculates what it is intended to calculate is referred to as validity (Silverman, 2013). To ensure the instrument's material validity, the researcher had her boss and a statistician study it to ensure that the questions can yield accurate results.

Reliability

The reliability of this study was determined by analysing pre-test results. The Statistical Package for Social Sciences (SPSS) version 23 for Windows was used to enter the data from the pre-test into a monitor. The data was scaled using the Cronbach alpha as an

internal accuracy metric, as proposed by Hennink et al. (2011). Questions with a coefficient of less than 0.7 were renamed or eliminated entirely.

3.6 Data Analysis and Presentation

Data analysis in this study involved descriptive analysis, chi-square analysis regression analysis. Elucidating insights like frequencies, rates, mean and standard deviation was utilized to depict the outcomes in the examination. Influence of each variable on absorption rate was assessed using chi-square tests. Chi-square tests were used to test hypothesis. Significant variables in the study were used in a multiple regression analysis. Regression analysis employed the model shown below:

$$Y = C + \beta_1 BP + \beta_2 DF + \beta_3 IC + \beta_4 PP + \varepsilon$$

Where:

Y = Absorption rate

....**C** = Constant

B₁ - β₄ = Co-efficient

BP = Budgeting practices

DF = Disbursement of Funds

IC = Internal controls

PP = Procurement Practices

ϵ = Error term

Analysis was conducted in SPSS v24 at a confidence level of 95%. Tables and graphs were used to present findings.

3.7 Ethical Considerations

The researcher received an authorization letter from Kenya Methodist University's school of business, confirming her status as a legitimate student. This letter was used to apply to the National Council of Science and Technology for a research permit. The County Government of Nyeri granted permission to collect data. Until conducting the questionnaire, prospective participants were asked for their permission to participate in the study. To ensure secrecy, the information gathered was coded in such a way that it could not be used or accessed by unauthorized individuals. The information gathered can only be used for research purposes.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the study, their interpretation and discussion. Findings related to the study variables namely budgeting practices, disbursement of funds, internal controls and procurement practices which make up the independent variables in the study and the absorption rate which is the dependent variable are also presented.

4.2 Response Rate

The study registered a 91% response rate. This response rate is considered adequate as it is considerably higher than 70% which is the minimum recommended response rate for surveys by Mugenda and Mugenda (2010).

4.3 Reliability Analysis

The questionnaire's reliability was assessed using Cronbach's alpha. Table 4.1 summarizes the findings.

Table 4.1

Reliability Results

Variable	Number of items	Cronbach alpha
Budgeting practices	11	0.77
Disbursement of funds	7	0.75
Internal Controls	10	0.77
procurement practices	2	0.83
Total	30	0.78

As illustrated in Table 4.1 a Cronbach coefficient of 0.78 was achieved. This means that the questionnaire was reliable as the alpha is above 0.7 as recommended by as recommended by Hennink, et al. (2011).

4.4 Socio-Demographic Characteristics

Sex, age, level of schooling, occupation, and job experience are among the socio-demographic characteristics examined in this report. Table 4.2 summarizes the findings.

Table 4.2*Socio-Demographic Characteristics*

Characteristic	Categories	Frequency	Percent
Gender	Male	20	64.5
	Female	11	35.5
Age (years)	21-30	6	19.4
	31-40	12	38.7
	41-50	9	29.0
	>51	4	12.9
Level of education	Diploma	15	48.4
	Bachelor's degree	10	32.3
	Postgraduate degree	6	19.4
Profession	Accountants	17	54.8
	Managers	10	32.3
	Others	4	12.9
Working experience(years)	<4	3	9.7
	>5	28	90.3

The discoveries show that larger part (64.5%) of the respondents were male. This shows that there was an extraordinary orientation uniqueness in the division of money and financial preparation of Nyeri County by which ladies were underrepresented. As displayed in Table 4.2, 38.7% of the respondents were matured somewhere in the range of 31 and 40 years while those matured somewhere in the range of 41 and 50 years

represented 29%. The mean age was 35 years. This imply that larger part of representatives in the division of money and monetary preparation of Nyeri County were youth.

On schooling, the outcomes show that somewhat not exactly half (48.4%) had obtained a confirmation while 32.3% had procured a four-year certification as their most significant level of instruction. These discoveries subsequently show that representatives in the division of money and monetary preparation of Nyeri County are profoundly taught as they have all gained post-auxiliary schooling. Somewhat above half (54.8%) of the respondents were bookkeepers while 32.3% were chiefs. This was normal as the vast majority of the jobs of representatives in the branch of money and monetary preparation of Nyeri County has do with bookkeeping and business the executives. Brings about Table 4.2 additionally show that by far most (90.3%) of respondents had north of 5 years of working involvement with the area. This was great for the concentrate as it implies that larger part of the respondents in the review are all around experienced and learned of the province government jobs, cycles and exercises which would empower them give dependable data on the topic of the review.

4.5 Budgeting and Absorption Rate of Devolved Funds

Budgeting Practices

To achieve the first objective the study sough to establish budgeting practices in the county. The results are presented in Table 4.3.

Table 4.3***Budgeting Practices***

	Agree	Uncertain	Disagree
The budget process of the county government consist of integrated development planning	80.6	9.7	9.7
Quarterly reports on budget implementation are prepared	100.0	0.0	0.0
There are provisions for monitoring and evaluation and clear reporting mechanisms.	83.9	12.9	3.2
The county government passes budgets in conformity with County Allocation of Revenue Act	90.3	3.2	6.5
The county government passes budgets in conformity with the cash disbursement schedules	29.0	16.1	54.8
Programme-Based Budget Estimates are used	87.1	0.0	12.9
County budgets clearly show the link between outputs and outcomes	61.3	32.3	6.5
County Budget Estimates have important details	77.4	9.7	12.9
There is ample public participation in budgeting process	87.1	0.0	12.9
There are active County Budget and Economic Forums (CBEFs) in the county	83.9	6.5	9.7
Budgeting information is shared with the public	100.0	0.0	0.0
Budget Estimates are accessible online	100.0	0.0	0.0

Brings about Table 4.3 show that greater part (80.6%) of the respondents concurred that the spending plan cycle of the region government comprise of coordinated advancement arranging. All (100 percent) respondents concur that quarterly reports on financial plan execution are ready. Greater part (83.9%) of the respondents concurred that are arrangements for checking and assessment and clear detailing components. Also, 90.3%

concur that region government passes spending plans in similarity with County Allocation of Revenue Act. Nonetheless, somewhat above half (54.8%) differ that the district government passes financial plans in congruity with the money dispensing plans.

Greater part (87.3%) concurred that program-based spending plan gauges are utilized. Greater part (61.3%) concurred that County financial plans plainly show the connection among results and results. Greater part (77.4%) concurred that County Budget Estimates have significant subtleties. Greater part (87.1%) concurred that there is more than adequate public support in planning process. Likewise, 83.9% concur that there are dynamic County Budget and Economic Forums (CBEFs) in the province. All (100 percent) concurred that planning data is imparted to the general population. An equivalent number (100 percent) concurred that assessments are open on the web. Challenges referred to by respondents included political impedance, low open cooperation and IFMIs challenges.

Notwithstanding the referenced difficulties, the discoveries show that the district administration of Nyeri had great planning rehearses. This is on the grounds that a large portion of financial plan arranging, execution, it were met to screen and assessment necessities. This perception is reliable with Orina et al. (2019), who observed that incomes were fundamental for district monetary dissemination in a connected report; region legislatures had records of individual month to month incomes as an approach to characterizing patterns for income checking. In any case, the outcomes go against those of Kibunja (2017), who found in a survey of the Murang'a County Government in Kenya that consumption evaluation techniques were insufficient on the grounds that province

monetary reviews were not ideal and observing was feeble. Essentially, the outcomes go against those of Mathenge et al. (2018), who found that spending plan execution confronted a few deterrents, including insufficient subsidizing, underlying disappointment, unsuitable spending plan circulation techniques, and executing programs that were not planned.

Relationship between Budgeting and Absorption Rate

To test the first hypothesis, a chi-square test between budgeting practices and absorption rate in Nyeri County was conducted. The results are presented in Table 4.4.

Table 4.4

Chi-square tests between Budgeting and Absorption Rate

	χ^2	df	p
Budgeting	44.316	21	.002

Results in Table 4.4 show that budgeting was significant ($p=0.02$). The first hypothesis (H_{01}) is therefore rejected. The results show that budgeting practices are an enabling factor whereby better budgeting practices lead to increased absorption rate. This is in accordance with Kathungu (2016) results, which tracked down that joint spending usage, which included planned area costs to planned region incomes, real province uses to genuine region incomes, and region administrations to the district destitution record, had a positive effect on region monetary execution. Samira (2018) discovered that the

budgeting mechanism improves financial efficiency at the Kwale County Government in Kenya.

4.6 Disbursement of Funds and Absorption Rate

Disbursement of Funds

To achieve the second objective, respondents in the study were asked to describe the disbursement of funds to the county government from the national treasury. The results are presented in Table 4.5.

Table 4.5

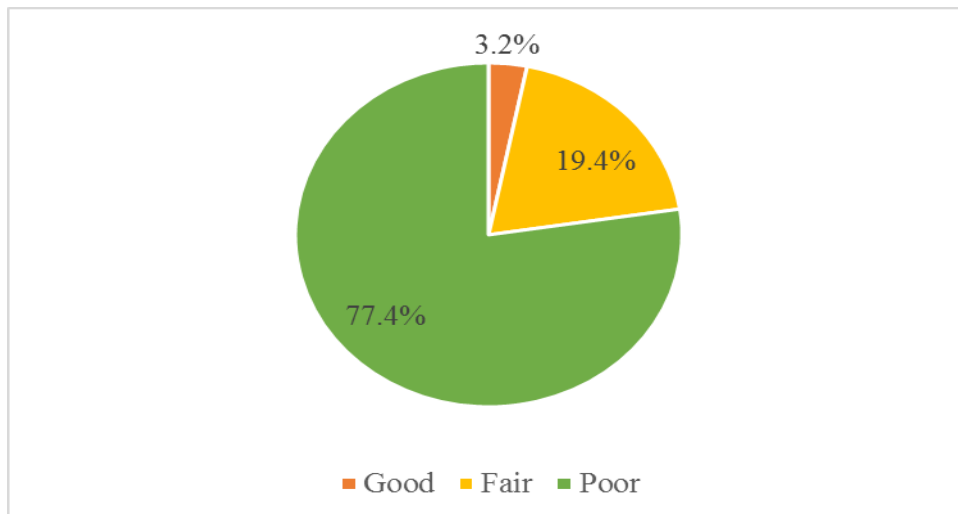
Disbursement of Funds

	Agree	Uncertain	Disagree
The current policy on revenue sharing enables high absorption of funds	9.7	16.1	74.2
The revenue sharing formula used adequately caters for the needs of this county	29.0	16.1	54.8
The devolved funds are disbursed in a timely manner	0.0	0.0	100.0
Devolved funds are adequate for the county government needs	6.5	6.5	87.1
Budget allocation for devolved funds influences the timely availability of funds	9.7	19.4	71.0
The county government accesses access overdrafts at CBK with guarantee from the National Treasury.	12.9	19.4	67.7
The National Government provides conditional grants to the county governments to support projects s	74.2	19.4	6.5

Results in Table 4.5 show that majority (74.2%) of the respondents disagreed that current policy on revenue sharing enables high absorption of funds. Similarly, 54.8% disagreed that revenue sharing formula used adequately caters for the needs of this county. All (100%) respondents disagreed that devolved funds are disbursed in a timely manner. Majority (87.1%) of the respondents disagreed that devolved funds are adequate for the county government needs. Majority (71%) also disagreed that budget allocation for devolved funds influences the timely availability of funds. Similarly, 67.7% disagreed that the county government accesses access overdrafts at CBK with guarantee from the National Treasury. However, 74.2% agree that the National Government provides conditional grants to the county governments to support projects s. Respondents in the study were also asked to describe the current system of disbursement of funds to counties. The findings are presented in Figure 4.1.

Figure 4.1

Disbursement of Funds Rating



Majority (77.4%) of the respondents indicated that the current system of disbursement of funds to counties is poor. These findings therefore show that there major problems in the disbursement of funds to the county. The funds disbursed to the counties are inadequate and are not disbursed in time. This conclusion is close to Policy Monitor's (2018) finding that insufficient agricultural funding is a problem in counties. The majority of the county governments' operations are funded by funds disbursed by the central government. The majority of the time, funds are not disbursed on time, causing delays in the supply of extension services and inputs to growers. According to a survey conducted by the Narok County Government (2018), a large number of programs and schemes in all divisions indicated insufficient or no funding for scheduled activities. This had a negative impact on departments' activities, including a shortage of essential office supplies and services including power, water, and office furniture, which hampered service delivery. Overall, money from the national treasury was sent late to the county treasury. This meant that only a small amount of information could be absorbed during the implementation of scheduled operations.

Relationship between Disbursement of Funds and Absorption Rate

To test the second hypothesis, a chi-square test between budgeting practices and absorption rate in Nyeri County was conducted. The results are presented in Table 4.6.

Table 4.6

Relationship between Disbursement of Funds and Absorption Rate

	χ^2	df	p
Disbursement of Funds	39.049a	14	.000

Results in Table 4.6 indicate that disbursement of funds was significant ($p=0.000$). The second hypothesis is therefore rejected. The findings show poor disbursement of funds hurt the absorption rate of the county. These findings are in line with previous research by Kamau and Muturi (2015), who found that late disbursement of funds led significantly to the failure of most projects in various counties. Several ventures have been left unfinished owing to a shortage of funding. Delays in the disbursement of county funds from the treasury, according to Kariithi and Mbugua (2018), triggered delays in the execution of county projects. Mburu and Muturi (2016) have discovered that problems associated with projects financing contributed to projects execution delays. According to their research, all aspects of the initiative, including the fund distribution process, budgeting, and funds disbursement, were evaluated.

4.7. Internal Controls and Absorption Rate

Internal Control Practices

To achieve the third objective of the study, respondents in the study were asked to describe the internal control practices in the county government of Nyeri. The results are presented in Table 4.7.

Table 4.7***Internal Control Practices***

	Agree	Uncertain	Disagree
The county government conducts financial risk assessments	58.1	12.9	29.0
Internal auditing is conducted regularly	80.6	9.7	9.7
There is an audit committee in place	100.0	0.0	0.0
There is clear separation of roles in financial matters of the county	90.3	0.0	9.7
Physical audits of all physical properties tracked in the accounting system, such as inventory, supplies, and equipment, are performed periodically.	77.4	19.4	3.2
There is transparent reporting of financial matters to the public and concerned authorities	71.0	29.0	0.0
Corrective actions are taken to address weakness discovered	54.8	32.3	12.9
There are incentives to discover and report control deficiencies	35.5	6.5	58.1
The county government periodically trains employees on internal control, segregation of duties, safeguarding assets	29.0	9.7	61.3

Results in Table 4.7 show that slightly above half (58.1%) of the respondents agreed that the county government conducts financial risk assessments, 80.6% agreed that internal auditing is conducted regularly and all 100% agreed that there is an audit committee in place. The vast majority (90.3%) agreed that there is clear separation of roles in financial matters of the county. Larger part (77.4%) concurred that actual reviews are habitually led on any actual resources followed in the bookkeeping framework, like stock, materials and apparatuses. Majority (71%) also agreed that there is transparent reporting of financial matters to the public and concerned authorities. Slightly above half (54.8%) of the respondents agreed that corrective actions are taken to address weakness discovered.

Similarly, 61.3% of the respondents disagreed that county government periodically trains employees on internal control, segregation of duties, safeguarding assets. Respondents in the study were also asked to indicate what other internal controls the county government using. The respondents indicated the automation of services such as automated reporting systems and electronic payments by customers for parking.

The above findings therefore show that the county government of Nyeri had employed sufficient internal control practices. Risk assessments, audits, separation of roles and financial reporting were all employed. In addition, there was automation of services was also extensively used. Wakiriba et al. (2014) found that the public sector in Mirangine Sub County has an efficient internal control structure marked by strong division of responsibilities, oversight, and management engagement. The conclusions, however, vary from those of Onyango (2015), who found that county governments did not conduct internal audits suggested by the Auditor General to enhance financial risk management. Muuri (2017) also discovered a deficient monitoring process, limited access to documents, a lack of task freedom, and the absence of an internal audit committee. Internal controls, such as correct and full reporting, automatic procedures, and personnel rotations, were also found to be very lax in Muuri (2017).

Relationship between Internal Controls and Absorption Rate

To test the third hypothesis, a chi-square test was conducted. The results are displayed in Table 4.8.

Table 4.8

Chi-Square Test between Internal Controls and Absorption Rate

	χ^2	df	p
Internal Controls	7.876a	7	.344

Results in Table 4.8 show that internal controls was not significant ($p=0.344$). The third hypothesis is therefore retained This contradicts the conclusions of a study by Lagat et al. (2016), which found that control practices and monitoring of information communication technology have a substantial impact on financial management. It contradicts the findings of Ng'ang'a (2019), who discovered a positive and significant relationship between risk management, reporting, control environment, knowledge, and communication and financial results. It also contradicts Cheruiyot's (2018) results, which found a statistically important positive association between internal management activities and efficiency. According to the results of the report, county governments that invested in strong internal control systems performed better than those with a poor internal control system.

4.8 Procurement Practices and Absorption Rate

Procurement Practices

To achieve the fourth objective, the study sought to establish the procurement practices at the county government of Nyeri. The findings are presented in Table 4.9.

Table 4.9***Procurement Practices***

	Agree	Uncertain	Disagree
Procurement planning involves detailed breakdown of goods, works or services required	90.3	9.7	0.0
Procurement planning comprises realistic time frames	48.4	0.0	51.6
Procurement programs are well implemented into the budgeting process, relying on the indicative budget where necessary and in accordance with procurement legislation	58.1	6.5	35.5
Open tendering is the preferred procurement method for procurement of goods, works and services	74.2	0.0	25.8
There are dispute settlement mechanisms relating to the award procedures for ensuring fairness and transparency	54.8	9.7	35.5
There are evaluation committees for evaluating tenders and ad hoc inspection	80.6	16.1	3.2
The county government employees IFMIS in all procurement services as required by law.	100.0	0.0	0.0
The five tender committees established by the county governments adhere to the code of ethics	71.0	9.7	19.4
There are measures in place to ensure ethical standards are maintained in public procurement processes	83.9	0.0	16.1
The county governments has tried to pay pending bills	67.7	19.4	12.9

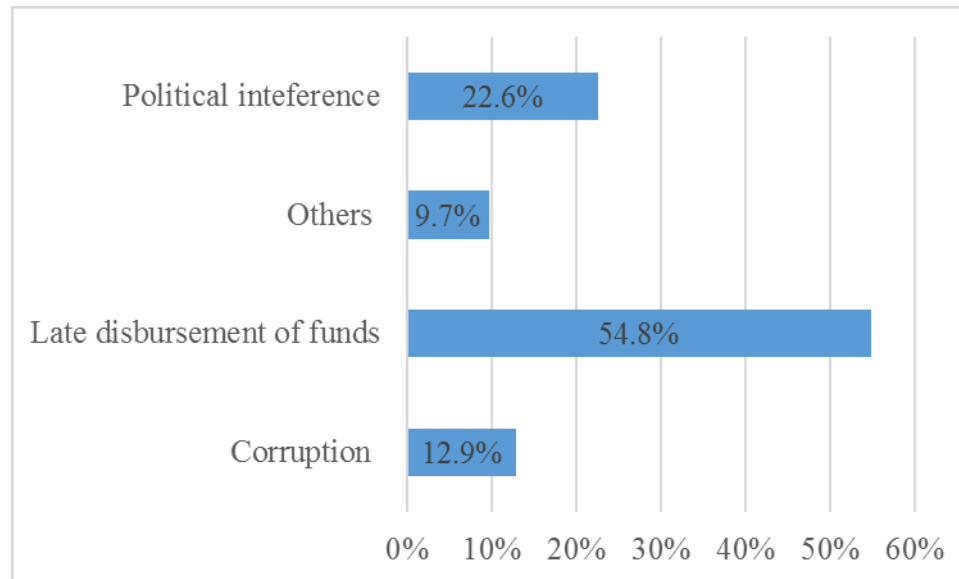
The vast majority (90.3%) agreed that procurement planning involves detailed breakdown of goods, works or services required. Slightly above half (51.6%) disagreed that procurement planning comprises realistic time frames. Marginally above half (58.1%) of the respondents concurred that obtainment plans are very much incorporated into the spending interaction dependent on the characteristic financial plan as fitting and in consistence with the acquirement law. Dominant part (74.2%) of the respondents

concluded that open offering is the favored acquisition strategy for acquisition of products, works and administrations.

Slightly above half (54.8%) agreed that are dispute settlement mechanisms relating to the award procedures for ensuring fairness and transparency. Similarly (80.6%) agreed that there are evaluation committees for evaluating tenders and ad hoc inspection. All (100%) of the respondents agreed that county government employees IFMIS in all procurement services as required by law. Majority (71%) agreed that five tender committees established by the county governments adhere to the code of ethics. Majority (83.9%) agreed that are measures in place to ensure ethical standards are maintained in public procurement processes. Majority (67.7%) also agreed that county governments has tried to pay pending bills. Respondents in the study were also asked to indicate the challenges the county government experience in procurement.

Figure 4.2

Challenges faced in Procurement



Slightly above half (54.8%) of the respondents indicated late disbursement of funds while 22.6% indicated political interference. Despite these challenges the findings suggest that the county government largely conducted procurement practices in a proper way in accordance with laid down procedures. Nzambu (2015) likewise showed that 62% of the incomplete ventures were driven by an absence of early dissemination of cash, obtainment system impacted obtainment execution by half and that 58% of respondents unequivocally concurred that significant expenses forestalled full reception of ICT in the Ministry. The findings are in disagreement with findings of Africa Centre for Open Governance (AfriCOG) (2015) that inadequate procurement preparation, lack of pre-qualification of vendors, inability to obey due process, a shortage of trained procurement

personnel, and insufficient inventory management were all factors in the three counties' public procurement problems.

Relationship between Procurement Practices and Absorption Rate

To test the fourth hypothesis, chi-square tests were conducted. The results are presented in Table 4.10.

Table 4.10

Chi-square test between Procurement Practices and Absorption Rate

	χ^2	df	p
Procurement Practices	14.526a	7	.043

Results in Table 4.10 show that procurement practices were significant ($p=0.043$). The fourth hypothesis is therefore rejected. This is consistent with Cheruiyot (2018), who showed that public procurement procedures and performance had a favourable correlation. According to the findings, a county government's performance is influenced by the efficiency with which Public Finance Procurement processes are implemented. Cherotich (2018) also found that procurement preparation and professionalism had a favorable and statistically relevant impact on Kericho County government results.

4.9 Absorption Rate of Devolved Funds

The purpose of this study was to establish determinants of absorption rate of devolved funds. To enable determination of these factors, the study sought to establish the absorption rate of devolved funds.

Development Projects

The study sought to establish the completion rate for development projects in the county government of Nyeri. The result is presented in Table 4.11.

Table 4.11

State of Development Projects in Nyeri

Financial year	Planned for	Initiated		On-going		Stalled		Completed	
		n	%	n	%	n	%	n	%
2017-2018	178	156	87.6	94	60.3	47	30.1	15	9.6
2018-2019	217	184	84.8	113	61.4	59	32.1	12	6.5
2019-2020	233	196	84.1	117	59.7	61	31.1	18	9.2
Total	628	536	85.4	324	60.4	167	31.2	45	8.4

Results in Table 4.11 show that only 8.4% of the projects commissioned in the last 3 financial years have been completed and of concern is that 31.2% of them have stalled.

Amount of Money Spent on Development Projects

To establish the absorption rate of development budget, the researcher assessed the county's actual spending on the development budget versus the allocated budget for the last 3 financial years. The results are presented in Table 4.12.

Table 4.12

Absorption Rate of Development

Financial Year	Development Budget	Actual spending	absorption Rate
2017-2018	2.30B	1.2B	52.23%
2018-2019	2.48B	1.46B	58.78%
2019-2020	3.05B	115M	3%
Total	7.83	2.775	35.44%

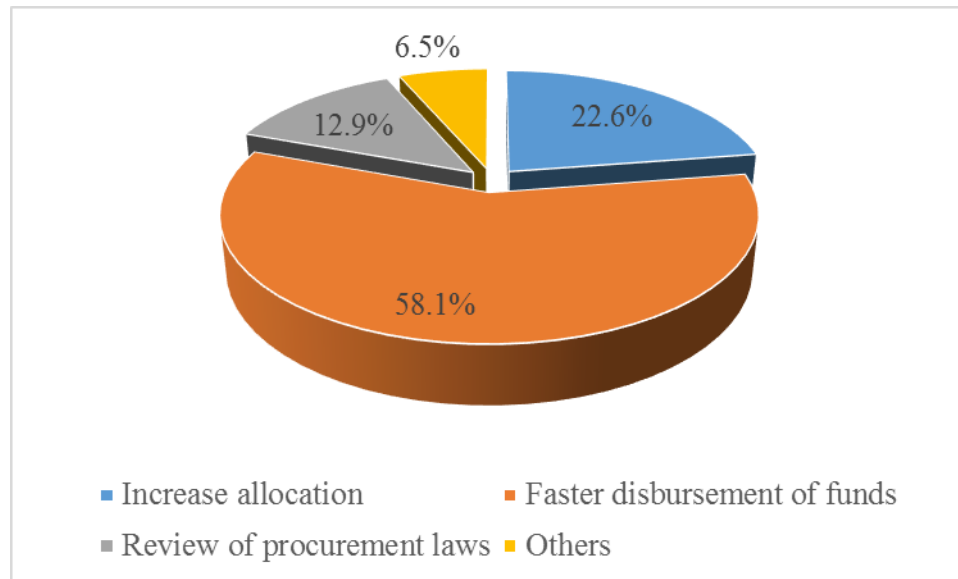
Results in Table 4.12 shows that a total of 7.83 billion shillings has been allocated in the development budget over the study period. However, only 2.7B has been spent on development projects s. This represents a 35.4% absorption rate which is quite low.

Suggestions on Increasing Absorption Rate

Respondents in the study were asked to recommend measures on how to enhance the absorption rate in the county. The findings are presented in Figure 4.3.

Figure 4.3

Suggestions on Increasing Absorption Rate



Results in Figure 4.3 show that slightly above half (58.1%) of the respondents recommended faster disbursement of funds while 22.6% recommended increase in allocation. This suggests that disbursement of funds is an important hindrance to higher absorption rate. This is analogous to the results of a Narok County Government study, which showed that a large number of programs and initiatives in all divisions reported insufficient or no funds for scheduled activities. This had a negative impact on departments' activities, including a shortage of essential office supplies and services including power, water, and office furniture, which hampered service delivery. Overall, money from the national treasury was sent late to the county treasury. This meant that only a small amount of information could be absorbed during the implementation of scheduled operations.

4.10 Regression analysis

The purpose of this study was to establish determinants of absorption rate of devolved funds. To achieve this, multiple regression analysis was conducted. Regression analysis enabled the researcher identify the combined effect of all the selected variables on absorption rate and also identify the most important of those variables. The findings are presented in this section.

Model Summary

The power of the connection between the model and the ingestion pace of lapsed assets is accounted for in the model outline table. The squared worth of the various relationship coefficient is R Square, the coefficient of assurance. Adjusted The R Square measurement is a "remedied" rendition of the R Square measurement that punishes models with a great deal of boundaries. The root mean square mistake, otherwise called the standard blunder of the estimation, is the standard deviation of the blunder articulation which is equivalent to the square foundation of the Mean Square Residual (or Error).

Table 4.13

Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877 ^a	.768	.759	.432

Results in Table 4.13 indicates that there was a strong positive correlation ($r=0.877$) between the selected variables and absorption rate. Specifically, the model summary illustrates that 76.8% which means that budgeting practices, disbursement of funds, internal controls and procurement practices are important factors affecting absorption rate.

ANOVA Output

From a numerical point of view, the ANOVA table surveys the model's agreeableness. The relapse line shows the measure of change that the model records for. The lingering line shows insight regarding the difference that the model doesn't consider. The null hypothesis in the linear regression F-test is that there is no linear relationship between the two variables.

Table 4.14

ANOVA Output

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.621	1	4.621	9.057	.005 ^b
1 Residual	14.798	29	.510		
Total	19.419	30			

Results in Table 4.14 show that the p value is 0.05. This means that there is a significant relationship between the selected variables and the dependent variable. This indicates that, overall, the regression model statistically significantly predicts the absorption rate of devolved funds.

Coefficients

The coefficients table in Table 4.15 provides the necessary information to predict absorption rate from the independent variables. In addition, the results in the table enables the researcher determine whether the various independent variables contribute statistically significantly to the model. At the point when any remaining free factors are left consistent, unstandardized coefficients show how regularly the reliant variable contrasts from an autonomous variable.

Table 4.15

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficient	Sig.
	B	Std. Error	Beta	
(Constant)	.031	.187		.164 .870
Budgeting	.134	.143	-.071	-.936 .352
1Disbursement	.807	.238	.552	3.383.002
Internal Controls.100	.115	.115	.068	.873 .384
Procurement	.037	.220	-.027	-.167 .868

Results in Table 4.15 shows that disbursement of funds ($p=0.002$) was significant. Substituting the beta values, the new model is shown below:

$$Y = 0.031 + 0.134 BP + 0.807 DF + 0.100 IC + 0.037 PP$$

Where:

Y = Absorption rate, **C** = Constant, **BP** = Budgeting practices, **DF** = Disbursement of Funds, **IC** = Internal controls and **PP** = Procurement Practices

The new model shows that all the variables in the study contribute positively to absorption rate. Going by the beta values, disbursement of funds ($\beta = 0.807$) had the largest value indicating that disbursement of funds was the most influencing factor. These findings are in line with previous research by Kamau and Muturi (2015), who found that late disbursement of funds led significantly to the failure of most projects in various counties. Several ventures have been left unfinished owing to a shortage of funding. Delays were cited according to Kariithi and Mbugua (2018), triggered delays in the execution of county projects. Mburu and Muturi (2016) have discovered that problems associated with projects financing contributed to projects execution delays. According to their research, all aspects of the initiative, including the fund distribution process, budgeting, and funds disbursement, were evaluated.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings of the study. The conclusions made from the findings are also presented. In addition, recommendations for policy and practice as well as suggestions for future studies are made.

5.2 Summary of the Findings

The current study sought to find out determinants of absorption rate of devolved funds by County governments. Selected determinants in the current study comprised budgeting practices, disbursement of funds, internal controls and procurement practices. The study focused on Nyeri County. The study found a 35.4% absorption rate which is quite low. In addition, only 8.4% of the projects commissioned in the last 3 financial years have been completed and of concern is that 31.2% of them have stalled. The findings showed that the county had good budgeting practices. This is because most of budget planning, implementation, monitoring and evaluation requirements were met. Budgeting was significant.

Majority of the respondents indicated that the current system of disbursement of funds to counties is poor. These findings therefore show that there major problems in the disbursement of funds to the county. The funds disbursed to the counties are inadequate and are not disbursed in time. Disbursement of funds was also significant. The findings

showed that the county had employed sufficient internal control practices. Risk assessments, audits, separation of roles and financial reporting were all employed. In addition there was automation of services was also extensively used. However, internal controls were not significant.

The findings suggested that the county government largely conducted procurement practices in a proper way in accordance with laid down procedures. Procurement practices were significant. Regression analysis showed that there was a strong positive correlation ($r=0.877$) between the selected variables and absorption rate. Specifically, the model summary illustrated that 76.8% of the absorption rate could be attributed to the independent variables. There was a significant relationship ($p=0.000$) between the selected variables and absorption rate. Disbursement of funds ($p=0.002$) was significant in the regression analysis. Going by the beta values, disbursement of funds ($\beta =0.807$) had the largest value indicating that disbursement of funds was the most influencing factor.

5.3 Conclusion

Great planning rehearses increment the assimilation pace of degenerate assets. Great planning rehearses specifically financial plan arranging, execution, checking and assessment empower higher assimilation rate on the grounds that the region government can anticipate projects better. Also, the province government can screen progress better and make revisions where fundamental. Nonetheless, this investigation discovered that province government didn't arranged financial plans in accordance with cash dispensing

plans which are sporadic and unusual and this might make sense of to a limited extent the low retention rates.

Poor and slow disbursement of funds from the national treasury leads to reduced absorption rates of the development budget. In addition funds disbursed were found to be inadequate and insufficient to the county's needs. Regression analysis showed the disbursement of funds to be the most influencing of the selected variables.

Although the study showed that the county government of Nyeri had robust internal control mechanism, this did not affect the absorptions. This may be due to the fact that internal controls is an effective financial management tool but in this case, its influence is reduced because the said funds are late to be disbursed and are inadequate.

Good procurement practices reduce the absorption rate. This is because the proper procurement process as laid down by law for example open tendering, tender committees, IFMIS and dispute settlement take time and this eats into the little time left by late disbursement of funds. This ultimately leads to low absorption rates.

In summary, the main determinant of low absorption rate is the disbursement of funds specifically the slow and inadequate disbursement of funds. However the situation is exacerbated by the county's budgeting and procurement practices. For instance, the county fails to consider cash disbursement schedules when preparing budgets. In addition, procurement planning comprises unrealistic time frames considering the irregular cash disbursement schedules.

5.4 Recommendations

In light of the above findings, the researcher recommends that the county government passes budgets in conformity with the cash disbursement schedules. The revenue sharing formula be reviewed to adequately caters for the needs of the county and the devolved funds be disbursed in a timely manner. The county government of Nyeri should periodically train employees on internal control, segregation of duties, safeguarding assets. In addition, the government should put in place incentives to discover and report control deficiencies Procurement planning should comprise realistic time frames based on cash disbursement schedules

5.5 Suggestions for Further Study

The current study only focused on Nyeri County therefore similar studies should be conducted in other counties. The current study focused on the overall absorption rate of the development budget. Future studies ought to consider absorption rate of the development budget by devolved function to see which functions need addressing.

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APPENDICES

Appendix I: Questionnaire

The purpose of this questionnaire is to collect data to establish determinants of absorption rate of devolved funds. The questionnaire is divided into 6 parts: demographic data, budgeting practices, disbursement of funds, internal controls and procurement practices and absorption rate of devolved funds. Tick along your preferred answer. The questionnaire will take approximately 10 minutes. **DO NOT** write your name anywhere in the questionnaire.

Demographic Data

1. Indicate your gender

- Male
- Female

2. Indicate your age group

- 21-30 years
- 31-40 years
- 41-50 years
- over 51 years

3. Indicate your highest level of education

- Secondary school
- College Certificate
- College Diploma
- Higher diploma
- Bachelor's degree
- Postgraduate degree

4. What is your profession?

.....

5. How long have you been working in the county government?

- 4 years and below
- 5 years and above

Budgeting Practices

For questions, 6- 16, indicate your agreement or lack thereof by ticking in the appropriate box using the scale below:

Strongly Agree (1), Agree (2), Uncertain (3), Disagree (4), Strongly Disagree (5)

		1	2	3	4	5
6	The budget process of the county government consist of integrated development planning					
7	Quarterly reports on budget implementation are prepared					
8	There are provisions for monitoring and evaluation and clear reporting mechanisms.					
9	The county government passes budgets in conformity with County Allocation of Revenue Act					
10	The county government passes budgets in conformity with the cash disbursement schedules					
11	Programme-Based Budget Estimates are used					
12	County budgets clearly show the link between outputs and outcomes					
13	County Budget Estimates have important details in terms of presentation of expenditure information by economic classification					
	There is ample public participation in budgeting process					
14	There are active County Budget and Economic Forums (CBEFs) in the county					
15	Budgeting information is shared with the public					
16	The County Fiscal Strategy Paper (CFSP) and the County Budget Estimates are accessible online					

17. What challenges does the county government experience in budgeting?

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Disbursement of funds

For questions, 18-24, indicate your agreement or lack thereof by ticking in the appropriate box using the scale below:

Strongly Agree (1), Agree (2), Uncertain (3), Disagree (4), Strongly Disagree (5)

		1	2	3	4	5
18	The current policy on revenue sharing enables high absorption of funds					
19	The revenue sharing formula used adequately caters for the needs of this county					
20	The devolved funds are disbursed in a timely manner					
21	Devolved funds are adequate for the county government needs					
22	Budget allocation for devolved funds influences the timely availability of funds					
23	The county government accesses access overdrafts at CBK with guarantee from the National Treasury.					

24	The National Government provides conditional grants to the county governments to support projects s					
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25. How would you describe the current system of disbursement of funds to counties?

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Internal Controls

For questions, 26-34, indicate your agreement or lack thereof by ticking in the appropriate box using the scale below:

Strongly Agree (1), Agree (2), Uncertain (3), Disagree (4), Strongly Disagree (5)

		1	2	3	4	5
26	The county government conducts financial risk assessments					
27	Internal auditing is conducted regularly					
28	There is an audit committee in place					
29	There is clear separation of roles in financial matters of the county					
30	Physical Audits are frequently conducted on any physical assets tracked in the accounting system, such as inventory, materials and					

	tools					
31	There is transparent reporting of financial matters to the public and concerned authorities					
32	The county government conducts financial risk assessments					
33	Corrective actions are taken to address weakness discovered					
34	There are incentives to discover and report control deficiencies					
35	The county government periodically trains employees on internal control, segregation of duties, safeguarding assets					

36. What other internal controls is the county government using?

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Procurement Practices

For questions, 37-44, indicate your agreement or lack thereof by ticking in the appropriate box using the scale below:

Strongly Agree (1), Agree (2), Uncertain (3), Disagree (4), Strongly Disagree (5)

		1	2	3	4	5
37	Procurement planning involves detailed breakdown of goods, works or services required					

38	Procurement planning comprises realistic time frames					
39	procurement plans are well integrated into the budget process based on the indicative budget as appropriate and in compliance with the procurement law					
40	Open tendering should be is the preferred procurement method for procurement of goods, works and services					
41	There are dispute settlement mechanisms relating to the award procedures for ensuring fairness and transparency,					
42	There are evaluation committees for evaluating tenders and ad hoc inspection					
43	The county government employees IFMIS in all procurement services as required by law.					
44	The five tender committees established by the county governments adhere to the code of ethics					
45	There are measures in place to ensure ethical standards are maintained in public procurement processes					
46	The county governments has progressively made deliberate efforts to settle pending bills which includes those inherited from the local authorities.					

47. What challenges does the county government experience in procurement?

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.....
.....

Absorption Rate of Devolved Funds

48. How many development projects did the county government initiate in the 2018-2019 financial year?

.....

49. What amount of money did the county government spend on development projects in the 2018-2019 financial year?

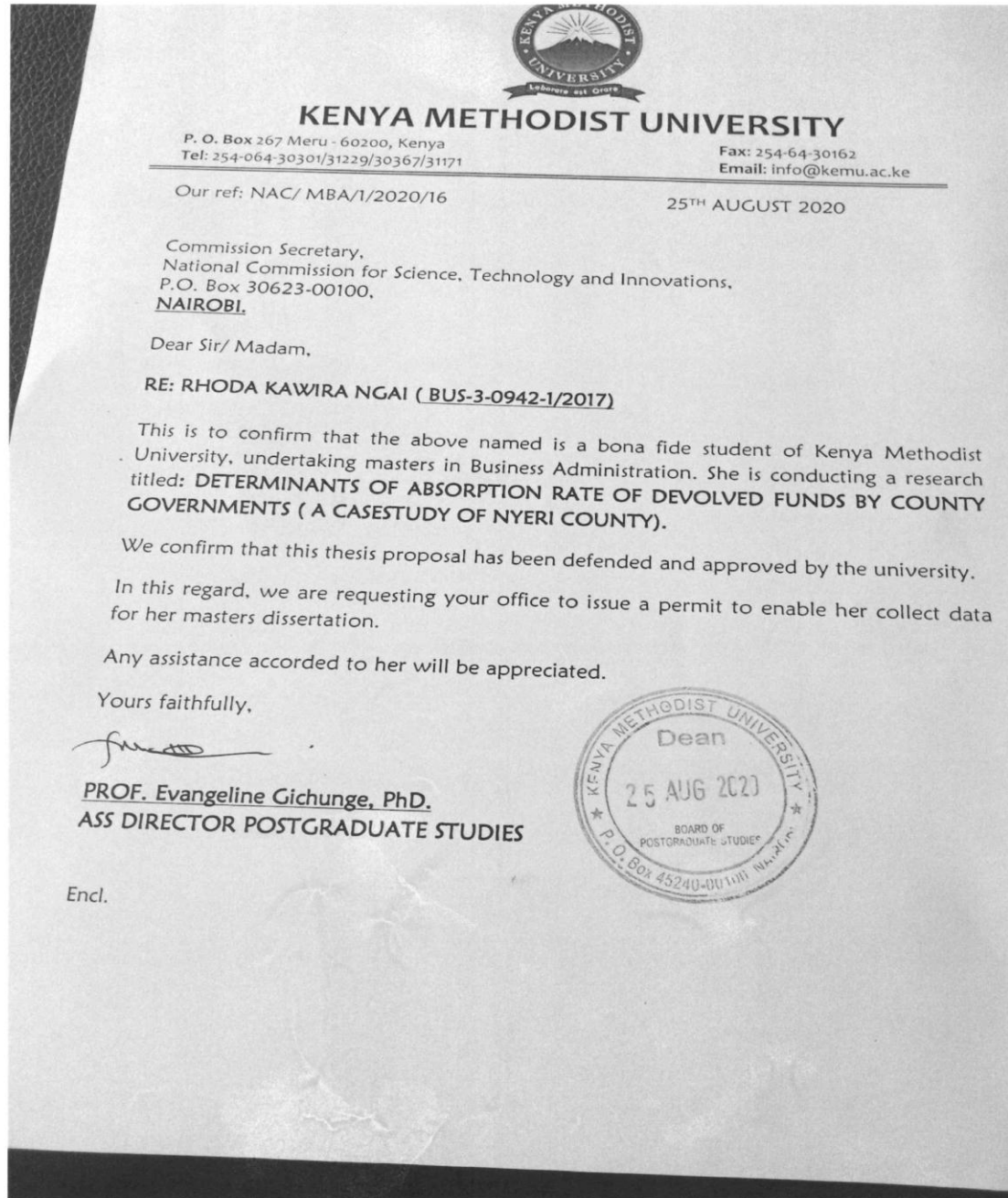
.....

50. What can be done to enhance the absorption rate in this county?

.....
.....
.....

~Thank you for your participation~





Appendix II: KeMU Letter of Authorization



Appendix III: Approval Letter from County Government of Nyeri



Appendix IV: NACOSTI Permit

 <p>REPUBLIC OF KENYA National Commission for Science, Technology and Innovation</p>	 <p>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>
<p>Ref No: 308106</p>	<p>Date of Issue: 04/September/2020</p>
<p>RESEARCH LICENSE</p>	
	
<p>This is to Certify that Miss. Rhoda Kawira Ng'ala of Kenya Methodist University, has been licensed to conduct research in Nyeri on the topic: DETERMINANTS OF ABSORPTION RATE OF DEVOLVED FUNDS BY COUNTY GOVERNMENTS (A CASE STUDY OF NYERI COUNTY) for the period ending : 04/September/2021.</p>	
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