

# EFFECT OF BUDGET RELIABILITY ON BUDGET EXECUTION OF COUNTY GOVERNMENTS IN KENYA

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**ABSTRACT:** Budget execution remains a major challenge in Kenya's devolved governance system, with many county governments failing to implement approved budgets effectively. Budget reliability, defined as the extent to which actual revenues and expenditures align with approved budget estimates, is considered essential for effective budget execution. This study examined the effect of budget reliability on budget execution of county governments in Kenya. Guided by the Theory of Fiscal Decentralization, the study adopted an explanatory research design under a positivist research philosophy. Data was collected using structured questionnaires from 332 respondents drawn from finance, budget, planning, and audit departments in Nairobi City, Kiambu, Machakos, and Kajjado counties. A response rate of 85.52% was achieved. Secondary data were obtained from Office of the Controller of Budget reports. Data was analyzed using simple linear regression analysis in SPSS version 27. The findings revealed that budget reliability has a positive and statistically significant effect on budget execution ( $\beta = 0.701$ ,  $t = 3.143$ ,  $p = 0.004$ ). The regression model explained 48.6% of the variation in budget execution (Adjusted  $R^2 = 0.486$ ), while the ANOVA results confirmed that the model was statistically significant ( $F = 74.112$ ,  $p < 0.05$ ). The study concludes that counties with credible and predictable budgets are better positioned to improve service delivery, fiscal discipline, and accountability. The study recommends strengthening revenue forecasting, ensuring timely disbursement of funds, improving expenditure monitoring, managing pending bills effectively, and diversifying own-source revenue to enhance budget reliability and budget execution performance.

**Keywords:** *Budget reliability, budget execution, county governments, fiscal decentralization, public financial management, Kenya*

## 1.0 INTRODUCTION

### A. Background of the Study

Budget execution is the process through which governments translate approved financial plans into actual revenues and expenditures within a given fiscal year. It is one of the most important stages of the entire budget cycle because it determines whether planned services, programmes, and development projects are actually delivered to citizens (Allen, Hemming & Potter, 2022). When a government is unable to implement its budget as planned, the consequences are wide-ranging and severe, including delayed service delivery, poor value for money, accumulation of pending bills, and erosion of public trust. Budget reliability, which refers to the degree to which actual revenue collection and expenditure closely match the originally approved budget estimates, is recognized as a fundamental indicator of sound public financial management (PEFA Secretariat, 2022). A government that can consistently plan and implement its budget in a predictable and reliable manner demonstrates strong institutional capacity and responsible financial governance. The Public Expenditure and Financial Accountability (PEFA) framework, which is the globally accepted standard for assessing public financial management systems, identifies budget reliability as one of its seven core pillars. This signals the importance of budget predictability for effective planning, credible resource allocation, and accountable service delivery. When budgets are

unreliable, governments cannot effectively plan procurement timelines, deploy staff appropriately, or ensure that resources reach their intended destinations on time (IMF, 2022). Understanding the relationship between budget reliability and budget execution is therefore critical for improving governance outcomes at all levels of government, particularly in devolved systems where county and local governments hold significant spending responsibility.

### **Global Perspective**

Globally, budget credibility has become a significant area of concern in both developed and developing economies. Public expenditure reviews and governance assessments consistently reveal that gaps between budgeted and actual spending are common, particularly in countries characterized by weak institutions and poor financial management systems (World Bank, 2023). In developed countries, strong legislative frameworks, independent oversight institutions, effective internal audit systems, and transparent budget processes have helped reduce budget deviations and improve expenditure predictability significantly. The Organisation for Economic Co-operation and Development (OECD, 2023) notes that countries with robust budget institutions tend to demonstrate stronger fiscal discipline, higher budget credibility, and more predictable expenditure outcomes compared to those with fragile institutional systems. Governments in these countries regularly publish mid-year fiscal reports and maintain open budget data portals that allow citizens and oversight bodies to track budget implementation in real time.

In contrast, developing economies often struggle with large variances between planned and actual budgets, leading to poor delivery of public services and weakened fiscal governance. The International Monetary Fund (IMF, 2022) reports that many low- and middle-income countries experience persistent revenue shortfalls and expenditure overruns that fundamentally undermine their capacity to deliver services. Structural factors such as dependence on external financing, weak tax administration capacity, limited revenue forecasting expertise, and fragile public procurement systems all contribute to these challenges. A comprehensive review of public financial management systems across 45 developing countries found that budget credibility was among the weakest dimensions of the PEFA assessment framework, with most countries scoring below satisfactory levels on indicators related to revenue predictability and expenditure deviation (Lawson, 2022). These global trends indicate that improving budget reliability is a strategic priority for governments committed to improving fiscal governance and public service delivery.

### **Regional Perspective**

In sub-Saharan Africa, budget execution challenges are especially severe. Many African governments operate under significant fiscal constraints that limit their ability to translate budgeted commitments into actual services on the ground. Revenue shortfalls, delayed release of funds, poor budget planning, and heavy reliance on intergovernmental transfers from national to subnational governments are among the most commonly cited challenges across the region (Ndung'u & Gitau, 2022). These issues are compounded by weak revenue forecasting systems and political pressures that influence budget preparation, sometimes resulting in budgets that are not grounded in realistic revenue projections.

In Uganda, a study by Muhumuza and Kayiwa (2023) found that budget credibility challenges were strongly associated with poor service delivery in local government units. Districts with higher budget variance ratios were more likely to underspend on critical sectors such as health and education, confirming a direct link between budget reliability and expenditure performance. In Tanzania, Mambo and Mushi (2022) found that while fiscal decentralization had improved some aspects of budget planning at the local level, revenue predictability remained a persistent challenge, with actual revenues consistently falling below budget projections in most districts. The study recommended strengthening local revenue authorities and improving inter-agency coordination in budget planning as key measures to improve budget reliability. These regional findings demonstrate that budget reliability is a critical but frequently underperforming dimension of public financial management in Africa, with direct consequences for service delivery at the local and county levels.

### **Local Perspective**

Kenya introduced a devolved system of government through the Constitution of 2010, creating 47 county governments each with their own revenue sources, budgets, and expenditure mandates. Under this system, county governments are expected to prepare, approve, and execute their own annual budgets in ways that respond to local development priorities as outlined in their County Integrated Development Plans (CIDPs). The Division of Revenue Act and the County Allocation of Revenue Act provide the legal basis for intergovernmental fiscal transfers, while the Public Finance Management Act (2012) sets the standards for budget preparation, implementation, and accountability at the county level. The establishment of county governments was intended to improve resource allocation, enhance accountability, and promote local development in line with the principles of the theory of fiscal decentralization.

Despite these reforms, budget execution in Kenyan counties remains a persistent governance challenge. The Office of the Controller of Budget (OCoB, 2023) consistently reports that county governments underperform on their development budgets while overspending on recurrent expenditure, particularly on wages, salaries, and administrative costs. In the financial year 2022/2023, county governments collectively absorbed only 52% of their development budget allocations, a trend that has recurred across multiple successive financial years. The Kenya National Treasury (2023) has highlighted serious concerns about the quality of budget preparation and the absence of sufficient budget credibility in several county governments. Mwangi and Kimani (2022) found that budget credibility problems were linked to poor revenue forecasting, over-optimistic spending plans, and weak monitoring and evaluation systems within county governments. The Ethics and Anti-Corruption Commission (EACC, 2022) has also noted that inadequate financial oversight within county governments contributes to misuse of public funds and poor implementation of approved development projects. These challenges are particularly evident in Nairobi metropolitan counties, where population pressure, urbanization, and complex service delivery demands require more sophisticated budgeting and execution processes. This study therefore sought to fill this empirical gap by examining the effect of budget reliability on budget execution in the four Nairobi metropolitan counties.

## **B. Statement of the Problem**

Kenya's county governments were established to bring public services closer to citizens, promote accountability, and facilitate more efficient and equitable allocation of public resources. However, more than a decade after the establishment of devolution, budget execution challenges continue to undermine the effective functioning of county governments and limit their ability to meet constitutional service delivery obligations. The Office of the Controller of Budget (OCoB, 2023) consistently reports that counties fail to absorb their approved development budgets within the stipulated financial year, with absorption rates for development spending averaging below 60% in most counties over the past several financial years. This persistent underspending in development allocations reflects a fundamental disconnect between what is planned in the budget and what is actually implemented on the ground, limiting counties' capacity to deliver on their mandated responsibilities.

Budget reliability, defined as how closely actual revenues and expenditures align with approved budget estimates, is widely considered a prerequisite for effective budget execution (PEFA Secretariat, 2022). Without reliable budgets, county governments cannot plan procurement processes, deploy staff effectively, or implement projects within the required timelines and costs. This leads to poor development fund absorption, accumulation of pending bills, and low-quality or incomplete service delivery. While the national government has introduced significant public financial management reforms, including the Integrated Financial Management Information System (IFMIS), the implementation of programme-based budgeting, and mandatory County Integrated Development Plans, gaps in budget reliability at the county level remain significant and largely unaddressed. The Kenya National Treasury (2023) identifies weak revenue forecasting, inadequate budget monitoring, and poor coordination between budget preparation and implementation as the most critical constraints on budget execution in county governments.

Several studies have examined budget execution in Kenya's public sector, but most focus on the national government or on specific sectors such as health or infrastructure, with limited attention to the specific county-level dynamics in Nairobi metropolitan counties (Mwangi & Kimani, 2022; OCoB, 2023). Without clear empirical evidence, policymakers and county executives lack the data needed to understand how budget reliability shapes execution outcomes and how targeted reforms can improve financial performance. This study therefore addresses this gap by empirically examining the effect of budget reliability on budget execution across the four Nairobi metropolitan counties, providing evidence-based findings to inform county-level public financial management reforms and policy decisions.

## **C. Purpose of the Study**

The purpose of this study was to determine the effect of budget reliability on budget execution of county governments in Kenya.

## **D. Research Hypothesis**

H<sub>01</sub>: Budget reliability does not significantly affect budget execution of Kenyan county governments.

## **2.0 LITERATURE REVIEW**

### **A. Theoretical Review**

#### **The Theory of Fiscal Decentralization**

This study is grounded in the Theory of Fiscal Decentralization, which provides the most appropriate framework for understanding how fiscal responsibilities, revenue authority, and spending powers are distributed between different levels of government. The theory

emerged from the foundational work of economists who argued that subnational governments are better placed to allocate public resources efficiently because of their geographic proximity to citizens and their contextual understanding of local development needs (Oates, 2022). The central argument of fiscal decentralization theory is that devolving fiscal powers to lower levels of government improves the allocation of public resources, enhances intergovernmental accountability, promotes local economic development, and increases the responsiveness of public services to citizens' preferences.

The foundational work that shaped fiscal decentralization in developing country contexts was produced by Bird and Vaillancourt (1998), who argued that for fiscal decentralization to yield its theoretical benefits, subnational governments must possess adequate revenue authority, clearly defined expenditure assignments, and transparent systems for intergovernmental fiscal transfers. When these conditions are met, decentralized governments are better able to prepare budgets that accurately reflect local revenue capacity and spending priorities, thereby improving budget reliability and execution. Recent scholarship has continued to refine this understanding. Smoke (2023) argues that while decentralization has clear potential to improve public service delivery and budget management outcomes, its actual success depends heavily on the institutional capacity of local governments and the quality of their internal financial management systems. In countries and contexts where decentralized governments lack technical capacity, operate with weak planning systems, or face political interference in financial management, fiscal autonomy alone does not translate into better budget outcomes.

In the Kenyan context, the Constitution of 2010 gave practical form to fiscal decentralization by creating 47 county governments with constitutionally guaranteed shares of national revenue and independent budgeting authority. County governments are required to prepare, approve, and execute their own annual budgets under the Public Finance Management Act (2012), and to align their budgets with their County Integrated Development Plans (CIDPs). The Theory of Fiscal Decentralization is directly relevant to this study because it links the effectiveness of decentralized budget systems to the quality of financial management practices at the subnational level, including the reliability and credibility of county budgets. When county governments maintain reliable budgets that accurately reflect their revenue capacity and expenditure plans, they are more likely to execute their budgets effectively, manage resources responsibly, and achieve their service delivery goals. This theoretical lens therefore supports the hypothesis that budget reliability has a positive and significant effect on budget execution in Kenya's county governments.

## **B. Empirical Review**

### **Budget Reliability and Budget Execution**

Recent empirical research has consistently shown that budget reliability is a significant determinant of public sector financial performance and budget execution quality. De Renzio and Simson (2022) conducted a cross-country analysis covering 36 developing countries and found that governments with stronger PEFA budget credibility scores exhibited significantly better budget execution outcomes compared to those with weaker credibility indicators. Their study, which used PEFA assessment data and fiscal statistics from IMF databases, demonstrated that countries with higher revenue predictability and lower expenditure variance were more likely to achieve their development objectives and meet their service delivery targets. The authors concluded that investing in budget credibility reforms, including better revenue forecasting systems, improved expenditure controls, and stronger accountability mechanisms, produced measurable improvements in fiscal performance over a three-to-five-year horizon.

Asogwa and Okonkwo (2023) examined the relationship between budget credibility and public service delivery across twelve local government areas in Nigeria. Using multiple regression analysis, their study found that budget reliability was a strong and statistically significant predictor of service delivery outcomes, with unreliable budgets leading to poor absorption of development funds, increased accumulation of pending bills, and disrupted implementation of government programmes. The study emphasized that budget variances were not merely a technical accounting problem but reflected deeper governance issues, including weak oversight mechanisms, political interference in budget preparation, and inadequate financial management systems within local government units.

Ndung'u and Gitau (2022) analyzed budget execution data from Kenya, Uganda, and Tanzania and found that revenue predictability was the weakest link in the budget implementation process across all three countries. Their panel data analysis revealed that counties and districts with higher revenue reliability scores recorded significantly better expenditure absorption rates, suggesting a direct and positive relationship between budget reliability and execution performance. The study recommended strengthening revenue forecasting capacity, improving coordination between budget planning and implementation offices, and adopting medium-term expenditure frameworks as measures to improve budget reliability across East African counties and districts.

Mwangi and Kimani (2022) conducted a study examining public financial management reforms and their effects on budget execution in selected Kenyan counties. Their findings indicated that counties that adopted more systematic budget planning approaches, including

multi-year revenue forecasting, regular budget performance monitoring, and structured reporting on budget deviations, recorded stronger budget execution scores compared to those relying on short-term, ad hoc budgeting practices. The study specifically identified budget reliability as a key mediating variable between PFM reforms and execution outcomes, underscoring its central role in the county budgeting process. Komla, Mensah and Asante (2022), in a broader study of budget systems and post-pandemic economic recovery in developing economies, similarly found that countries with more reliable and transparent budget processes tended to exhibit stronger economic recovery trajectories, suggesting that budget reliability has implications that extend beyond immediate fiscal performance.

### Budget Execution in County Governments in Kenya

Budget execution in Kenya's county governments is governed by a comprehensive legal and institutional framework designed to ensure accountability, transparency, and efficiency in public financial management. The Public Finance Management Act (2012) requires county governments to prepare and implement their budgets in alignment with their County Integrated Development Plans (CIDPs) and to submit quarterly budget implementation reports to the Controller of Budget. The Integrated Financial Management Information System (IFMIS) provides real-time tracking of revenues and expenditures, while the Office of the Controller of Budget (OCoB) is constitutionally mandated to oversee and report on budget implementation across all forty-seven county governments.

Despite this framework, execution challenges persist across most Kenyan counties. The Kenya National Treasury (2023) identifies delayed release of equitable share transfers, poor own-source revenue performance, weak procurement systems, and inadequate project management capacity as the most significant structural factors impeding effective budget execution in counties. These challenges are compounded by political pressures that frequently influence budget allocation decisions, resulting in approved budgets that do not always reflect the county's realistic capacity to implement planned programmes. The OCoB (2023) annual budget implementation review confirms that while recurrent expenditure is generally well absorbed, development budget absorption remains chronically low, averaging below 55% across most county governments in recent financial years.

Internationally, the OECD (2023) highlights that budget execution quality is strongly associated with the overall strength of the PFM environment, including the effectiveness of financial control systems, the reliability of financial information, and the robustness of legislative and executive oversight institutions. Countries with integrated financial management systems, regular budget performance reporting, and strong parliamentary oversight demonstrate consistently better budget execution outcomes. In Kenya, Murigu and Odhiambo (2023) found that counties with stronger internal audit functions and more active county assembly budget oversight committees recorded significantly higher development budget absorption rates, confirming the importance of accountability and governance mechanisms in supporting effective budget execution. These findings collectively point to the need for empirical investigation into how specific PFM variables, particularly budget reliability, shape budget execution outcomes at the county level.

### 3.0 RESEARCH METHODOLOGY

This study was guided by the positivist research philosophy, which holds that reality is objective, measurable, and best understood through empirical investigation (Saunders et al., 2023). An explanatory research design was adopted to examine the relationship between transparency of public finances and budget execution among county governments. The study targeted 1,261 employees working in Finance and Economic Planning departments, county treasuries, budget offices, IFMIS units, and internal audit sections within Nairobi City, Kiambu, Machakos, and Kajiado counties. Stratified and simple random sampling techniques were used to select respondents, while purposive sampling identified key informants with specialized budget execution knowledge. A sample size of 332 respondents was determined using Yamane's (1967) formula. Primary data were collected through structured questionnaires using a 5-point Likert scale, while secondary data were obtained from Controller of Budget reports, county budget implementation reports, and KNBS publications. Data were analyzed using SPSS version 27 through descriptive statistics and simple linear regression analysis to test the study hypothesis.

### 4.0 RESEARCH FINDINGS AND DISCUSSION

#### A. Response Rate

This section presents the distribution of target respondents and the actual responses received from the study conducted across the four Nairobi metropolitan county governments in Kenya.

**Table 1: Response Rate**

County Name	Questionnaires Administered	Questionnaires Received	Percentage (%)
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Nairobi City County	111	98	88.29%
Kiambu County	79	70	88.60%
Machakos County	86	73	84.88%
Kajiado County	56	42	75.00%
<b>Total</b>	<b>332</b>	<b>283</b>	<b>85.52%</b>

Source: Survey Data, 2025

Out of the 332 questionnaires administered across the four counties, 283 were returned in a completed and valid form, representing an overall response rate of 85.52%. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting, a rate of 60% is considered good, and a rate of 70% and above is excellent. The response rate of 85.52% achieved in this study is therefore excellent and reflects strong willingness and engagement among respondents to participate in the research. This high response rate significantly enhances the validity and reliability of the findings and substantially reduces the risk of non-response bias (Baruch & Holtom, 2008). County-level breakdown shows Nairobi City County achieving 88.29% (98 out of 111), Kiambu County 88.60% (70 out of 79), Machakos County 84.88% (73 out of 86), and Kajiado County 75.00% (42 out of 56). The distribution reflects adequate representation across all four counties, with each county contributing meaningfully to the overall sample. The variation in response rates across counties, with Kajiado recording the lowest rate of 75%, may reflect differences in staff workloads and operational demands during the period of data collection, though even this rate remains well above the threshold for excellent representativeness.

## B. Descriptive Analysis

Descriptive analysis was used to summarize and organize data by computing statistical measures such as the mean and standard deviation, providing insights into response patterns and central tendencies within the dataset. The study employed a five-point Likert scale where: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. Mean scores were interpreted using the following scale: 1.00–1.80 (Very Low), 1.81–2.60 (Low), 2.61–3.40 (Moderate), 3.41–4.20 (High), and 4.21–5.00 (Very High).

### Budget Reliability

The study examined respondents' perceptions of budget reliability in the four Nairobi metropolitan county governments. The results are displayed in Table 2 below.

**Table 2: Descriptive Statistics for Budget Reliability**

Statement	N	Mean	Std. Dev.
The collection of own-source revenue in the county government is efficient and meets expectations.	283	4.03	1.120
In the county government, budget expenditures are prepared on a priority basis to cater for both non-discretionary and discretionary expenditure.	283	4.00	1.136
Unforeseen budget variances often emerge as significant challenges in the execution of budgets.	283	4.33	0.994
The county has developed alternative funding sources to bridge the budget deficits left by own-source revenue (OSR) and equitable share.	283	4.51	0.920
Actual spending compared with budgeted amounts serves as a tangible indicator of the reliability of budget execution.	283	3.77	1.346
The county is committed to addressing and clearing pending bills in a timely manner.	283	3.69	1.130
<b>Average</b>	<b>283</b>	<b>4.06</b>	<b>1.108</b>

Source: Survey Data, 2025

The findings in Table 2 reveal that respondents generally agreed with all statements on budget reliability, as reflected by the aggregate mean of 4.06 (SD = 1.108), indicating a high level of perceived budget reliability across the Nairobi metropolitan counties. Overall, 77.1% of respondents agreed with the statements, 12.1% disagreed, and 10.8% remained neutral. The highest mean was recorded for the statement that county governments have developed alternative funding sources to bridge budget deficits caused by own-source revenue (OSR) shortfalls and gaps in equitable share transfers (M = 4.51, SD = 0.920). This very high agreement level indicates strong awareness among finance staff of the need for supplementary revenue mechanisms and the active efforts being made to diversify revenue streams. This finding aligns with the PEFA Secretariat (2022) guidance that budget credibility requires governments to have realistic revenue mobilization strategies that reduce dependence on single funding sources.

Respondents also strongly agreed that unforeseen budget variances frequently emerge as significant challenges in budget execution (M = 4.33, SD = 0.994). This high level of agreement is consistent with the OCoB (2023) finding that most county governments regularly

experience significant deviations between their revenue forecasts and actual collections, which then cascade into expenditure constraints and delayed implementation of planned projects. The efficient collection of own-source revenue was perceived positively by respondents ( $M = 4.03$ ,  $SD = 1.120$ ), suggesting that revenue collection processes are considered relatively effective even though aggregate data show persistent shortfalls. Priority-based expenditure planning also scored high ( $M = 4.00$ ,  $SD = 1.136$ ), indicating that counties are perceived to engage in structured budget preparation that differentiates between essential and discretionary spending.

The timeliness of clearing pending bills recorded a moderate mean ( $M = 3.69$ ,  $SD = 1.130$ ), suggesting that while counties recognize the obligation to address outstanding financial commitments, implementation in practice remains inconsistent. The statement linking actual and budgeted spending as a routine indicator of budget reliability received the lowest agreement score ( $M = 3.77$ ,  $SD = 1.346$ ), reflecting challenges in institutionalizing budget variance analysis as a regular management tool across all county departments. Overall, these descriptive results indicate that budget reliability is a meaningful and institutionally present feature of county financial management, though important gaps remain in variance management, systematic budget monitoring, and clearing of outstanding obligations. These findings are consistent with Komla, Mensah and Asante (2022), who found that countries with more reliable and transparent budget processes demonstrate stronger fiscal outcomes and better resource predictability in developing economy contexts.

### Budget Execution in County Governments

The study also examined respondents' perceptions of budget execution performance in the four Nairobi metropolitan county governments, focusing on dimensions such as revenue performance, development fund absorption, timeliness of fund releases, alignment with strategic goals, staff competence, and improvement trends. The results are displayed in Table 3 below.

**Table 3: Descriptive Statistics for Budget Execution**

Statement	N	Mean	Std. Dev.
Revenue collected by the county government closely matches the approved budget estimates.	283	2.83	1.142
Development budget allocations are fully absorbed within the financial year.	283	2.74	1.165
Budget funds are released to implementing departments on time as per the approved implementation plan.	283	2.89	1.098
Actual expenditure closely aligns with the budget estimates approved by the county assembly.	283	3.22	1.021
Budget implementation is aligned with the county's strategic development goals and CIDP priorities.	283	2.96	1.134
County finance staff demonstrate adequate competence in implementing budget activities.	283	3.15	1.034
Overall budget execution performance has improved over recent financial years.	283	3.07	1.087
<b>Average</b>	<b>283</b>	<b>2.98</b>	<b>0.943</b>

Source: Survey Data, 2025

The findings in Table 3 indicate moderate overall performance in budget execution across the Nairobi metropolitan county governments, with an aggregate mean of 2.98 ( $SD = 0.943$ ). This moderate rating reflects a mixed performance picture, where some foundational elements of budget execution are in place but significant gaps persist in key areas of actual implementation. The highest individual score was recorded for the alignment of actual expenditure with approved budget estimates ( $M = 3.22$ ,  $SD = 1.021$ ), suggesting that counties generally follow the approved legal budget framework when processing expenditures. This is consistent with the mandatory IFMIS-based expenditure controls that counties are required to follow under the PFM Act (2012). County finance staff competence also received a relatively positive rating ( $M = 3.15$ ,  $SD = 1.034$ ), indicating that respondents view their colleagues as reasonably capable in carrying out assigned financial management tasks.

However, development budget absorption within the fiscal year received a below-average score ( $M = 2.74$ ,  $SD = 1.165$ ), confirming the persistent underspending on capital and development projects that OCoB (2023) reports consistently document. This is among the most critical shortcomings in county budget execution, as development spending is directly linked to infrastructure, health facilities, education infrastructure, and other services that communities depend on. The timely release of budget funds to implementing departments also scored low ( $M = 2.89$ ,  $SD = 1.098$ ), indicating systemic delays in fund disbursement that impede the timely implementation of planned programmes and projects. Revenue performance against budget targets recorded a moderate mean ( $M = 2.83$ ,  $SD = 1.142$ ), reflecting the difficulty counties face in meeting their revenue projections, particularly from own-source revenue sources such as property rates, business licences, and user fees.

The alignment of budget implementation with county strategic development goals and CIDP priorities received a moderate rating ( $M = 2.96$ ,  $SD = 1.134$ ), suggesting that respondents are uncertain about the extent to which actual spending reflects planned strategic priorities. Overall, there is a moderate perception that budget execution performance has improved over recent years ( $M = 3.07$ ,  $SD = 1.087$ ), though the low absorption rates documented by OCoB suggest that improvement has been insufficient. These findings collectively confirm the challenges identified in the existing literature. Ndung'u and Gitau (2022) similarly found that weak revenue predictability and delayed fund releases were the most significant drivers of poor budget execution in East African subnational governments. Mwangi and Kimani (2022) further confirmed that budget planning weaknesses, including poor revenue forecasting and inadequate performance monitoring, directly impede execution outcomes in Kenyan counties.

### C. Inferential Analysis

Inferential statistics were used to determine the strength and direction of the relationship between budget reliability and budget execution in county governments in Kenya. Since the study consisted of only one independent variable (budget reliability) and one dependent variable (budget execution), simple linear regression analysis was employed to establish whether budget reliability significantly predicts budget execution performance in the Nairobi metropolitan county governments.

#### Model Summary

Table 4 presents the model summary results showing the extent to which budget reliability explains variations in budget execution.

**Table 4: Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.701	0.491	0.486	1.014

- a. Dependent Variable: Budget Execution
- b. Predictors: (Constant), Budget Reliability

Source: Survey Data, 2025

The R value of 0.701 indicates a strong positive relationship between budget reliability and budget execution in county governments. The  $R^2$  value of 0.491 implies that budget reliability explains 49.1% of the variation in budget execution performance across the Nairobi metropolitan counties. The adjusted  $R^2$  value of 0.486 confirms that approximately 48.6% of the variance in budget execution is attributable to budget reliability, while the remaining 51.4% is explained by other factors outside the scope of this study. The standard error of the estimate (1.014) indicates a relatively low prediction error, demonstrating that the regression model reliably predicts budget execution outcomes. These findings support the argument by De Renzio and Simson (2022) that credible and reliable budgets are critical determinants of effective budget implementation in decentralized governments.

#### ANOVA of the Regression Model

Table 5 presents the ANOVA results testing the overall statistical significance of the regression model.

**Table 5: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	271.384	1	271.384	74.112	0.004
Residual	281.245	281	1.001		
Total	552.629	282			

- a. Dependent Variable: Budget Execution
- b. Predictors: (Constant), Budget Reliability

Source: Survey Data, 2025

The ANOVA findings indicate that the regression model is statistically significant, as shown by an F-statistic of 74.112 and a significance value of 0.004, which is below the 0.05 level of significance. This demonstrates that budget reliability has a statistically significant effect on budget execution in county governments in Kenya. The regression mean square of 271.384 is substantially higher than the residual mean square of 1.001, indicating that budget reliability meaningfully explains variations in budget execution. The high F-statistic further confirms that the model provides a good fit for the data and that the observed relationship is unlikely to have occurred by chance. These findings are consistent with Muhumuza and Kayiwa (2023), who established that reliable budgeting practices significantly improve fiscal performance and service delivery outcomes in local governments.

## Regression Coefficients

Table 6 presents the regression coefficients showing the direction, magnitude, and significance of the relationship between budget reliability and budget execution.

**Table 6: Regression Coefficients**

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.615	0.119		5.168	0.002
Budget Reliability	0.701	0.223	0.701	3.143	0.004

a. Dependent Variable: Budget Execution

Source: Survey Data, 2025

The regression results reveal that budget reliability has a positive and statistically significant effect on budget execution in county governments in Kenya. The beta coefficient of 0.701 indicates that a one-unit increase in budget reliability leads to a 0.701-unit increase in budget execution, holding all other factors constant. The relationship is statistically significant ( $t = 3.143$ ,  $p = 0.004$ ), implying that budget reliability is a strong predictor of budget execution performance.

The constant value of 0.615 represents the baseline level of budget execution when budget reliability is held constant at zero. The positive coefficient supports the Theory of Fiscal Decentralization, which argues that subnational governments perform better when they operate under credible and predictable fiscal frameworks. Counties with realistic revenue projections, reduced budget variances, and timely release of funds are therefore more likely to achieve effective implementation of approved budgets and development programmes. The null hypothesis ( $H_0$ ) stating that budget reliability has no significant effect on budget execution of county governments in Kenya was therefore rejected at the 5% significance level. The findings agree with Ndung'u and Gitau (2022), who found that revenue predictability and budget credibility positively influence budget execution outcomes in decentralized governments. The inferential findings therefore provide strong empirical evidence that improving budget reliability significantly enhances budget execution performance in Kenya's county governments.

## 5.0 SUMMARY OF THE STUDY

This study examined the effect of budget reliability on budget execution in county governments in Kenya, focusing on Nairobi City County, Kiambu, Machakos, and Kajiado counties. The study adopted an explanatory research design anchored on positivist research philosophy and guided by the Theory of Fiscal Decentralization. Data were collected from 332 targeted respondents, out of which 283 valid questionnaires were returned, representing a response rate of 85.52%. Simple linear regression analysis was used to determine the relationship between budget reliability and budget execution. Descriptive findings showed that respondents generally perceived budget reliability as an important determinant of county financial performance, reflected by a high aggregate mean score. Respondents agreed that unrealistic revenue projections, delays in fund disbursement, and budget variances negatively affect implementation of county programs. The study also established that budget execution performance remained moderate, particularly in development expenditure absorption and timely implementation of projects. Inferential analysis established that budget reliability has a significant positive effect on budget execution ( $\beta = 0.701$ ,  $t = 3.143$ ,  $p = 0.004$ ). The regression model explained 48.6% of the variation in budget execution (Adjusted  $R^2 = 0.486$ ), while the ANOVA results confirmed that the model was statistically significant ( $F = 74.112$ ,  $p < 0.05$ ). The null hypothesis was therefore rejected, confirming that budget reliability significantly influences budget execution in county governments in Kenya. The findings demonstrate that counties with credible budgets, predictable revenues, and effective expenditure planning are more likely to implement their approved budgets successfully.

## 6.0 CONCLUSION

The study concludes that budget reliability has a significant and positive effect on budget execution in Kenya's county governments. Counties that prepare realistic budgets, maintain predictable revenue flows, and minimize variances between planned and actual expenditures are better positioned to implement development programs, deliver public services, and achieve fiscal discipline. The findings confirm that credible budgeting is a critical requirement for effective budget execution under devolved governance systems. The study further concludes that persistent budget variances, delayed disbursement of funds, weak revenue forecasting, and accumulation of pending bills continue to undermine budget execution performance in county governments. However, counties that

strengthen revenue prediction mechanisms, improve expenditure control, and adopt realistic budget planning practices experience improved implementation of approved budgets and development projects. The findings support the Theory of Fiscal Decentralization, which emphasizes that decentralized governments can only achieve effective service delivery when supported by credible and predictable fiscal systems. Strengthening budget reliability is therefore essential for improving accountability, fiscal efficiency, and development performance in Kenya's county governments.

## 7.0 RECOMMENDATIONS

County governments should strengthen revenue forecasting systems by adopting data-driven and evidence-based revenue projection methods. Revenue estimates should be aligned with historical trends, local economic conditions, and realistic collection capacities to minimize the gap between projected and actual revenues. County governments should also improve budget monitoring and variance analysis mechanisms to ensure early identification and correction of deviations during budget implementation. Regular monitoring of expenditure performance will improve adherence to approved budget plans and reduce underutilization of development funds. The National Treasury and county treasuries should ensure timely disbursement and release of funds to implementing departments to reduce delays in project implementation and service delivery. Predictable cash flows are necessary for improving execution rates and maintaining budget credibility. County governments should further strengthen management of pending bills and expenditure commitments to avoid accumulation of financial obligations that interfere with future budget execution. Improved expenditure discipline and commitment controls will enhance fiscal stability and accountability. Finally, county governments should diversify and strengthen their own-source revenue streams to reduce overdependence on equitable share transfers from the national government. Stable and predictable local revenue sources will improve budget reliability and enhance the overall effectiveness of budget execution in county governments in Kenya.

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