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Abstract:

Purpose of Study: The study examined the influence of public financial management practices on budget absorption in Wajir County Government, Kenya. Specifically, it evaluated the effects of budgeting credibility, financial reporting, internal control, and asset-liability management on budget absorption, addressing persistent challenges in development expenditure utilization and effective public resource management within the county.

Methodology: The study adopted a cross-sectional research design targeting 270 management-level employees of Wajir County Government. Stratified sampling yielded 161 respondents. Primary data were collected through semi-structured questionnaires, while secondary data covered budgeted and actual development expenditure. Data analysis employed descriptive statistics, Pearson correlation, and multiple linear regression techniques.

Findings: The findings revealed that public financial management practices positively and significantly influenced budget absorption in Wajir County Government. The regression model explained 63.7% of variations in budget absorption (R^2=0.637). Internal control demonstrated the strongest positive influence (β=0.312, p<0.001), followed by budgeting credibility (β=0.284, p<0.001), asset-liability management (β=0.219, p=0.002), and financial reporting (β=0.167, p=0.015). Development budget absorption averaged 58.91%, indicating persistent underutilization of allocated resources. Descriptive findings further revealed weaknesses in budgeting credibility, financial reporting, internal controls, and asset-liability management, particularly regarding financial accountability, liquidity planning, risk management, and expenditure monitoring, thereby constraining effective budget implementation and overall county development performance.

Conclusion: The study concluded that effective public financial management practices significantly enhance budget absorption in Wajir County Government. Strengthening internal controls, improving budget credibility, ensuring timely financial reporting, and enhancing asset-liability management are essential. The county should prioritize financial accountability, realistic budgeting, effective risk management, and prudent resource utilization practices.

Keywords: *Asset-Liability Management, Budget Absorption, Budgeting Credibility, Financial Reporting, Internal Control and Public Financial Management Practices.*

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1. INTRODUCTION

Budgets are key instruments of control, planning and coordination, and performance management in governments and private organizations across the world, as they strive to get desired outcomes. These processes are effective in today's Public Financial Management (PFM) because of the quality of the practices of the. According to World Bank (2020) to enable this, a government needs to have a transparent and accountable fiscal system through which they can provide effective public services and achieve economic development. Similarly, International Monetary Fund (2021) indicates that good financial management is a very important issue for maintaining fiscal discipline and luring the people away from the tendency to use public funds in unorthodox ways. Public finance's most important measure of budget absorption is still the extent to which allocated resources are utilized during a financial period. The low rates of absorption reflect low level of institutional capacity and inefficiencies of implementation while the high rates of absorption point to greater efficiency in the implementation of development plans. However, whilst realistic budgets and organized PFM is emerging, desired outcomes are not always realized by the poorly structured institutional, administrative and governance (IAG) challenges (OECD, 2022; Lienert, 2020).

There is a huge variation in the rate of public funds being absorbed in countries, depending on their institutional capacity, quality of governance and economic structure. The absorption rates will be relatively high in the advanced economies such as the United States and United Kingdom, where fiscal systems have been in place long, and allowing good practices of public finance management. The European Commission (2021) reports that levels of absorption differ among member states of the European Union with nations with high absorption rates almost maximizing the use of the structural funds, and others having lower absorption rates, this is attributed to the administrative inefficiencies they encounter. One focus of the study that Mendez and Bachlter (2021) refers to is the impact of delays and of bureaucracy on the use of funds across the EU regions. The literature in emerging economies also indicates that the budget absorption is slow in the first few months of the fiscal year and accelerates towards the end of that fiscal year, which may end up in hurried spending and lower quality of projects being executed (Andriati 2019, and recent studies conducted by Sari and Nugroho 2023 among others). The trends reveal how the public financial management's planning and implementation systems are ineffective, influencing the development outcomes and fiscal efficiency (World Bank, 2022).

Low budget absorption is more severe in Sub Saharan Africa where the LAIRC factors (structural and institutional) continue to hamper effective absorption of public resources. The study by the African Development Bank (AfDB) (2021) points out that significant delays in the procurement process and poor project management systems are prevalent in countries across Africa, and have a negative effect on budget execution. From the evidence given in Mikus et al, (2019) and recent findings by United Nations Development Programme (2022) it is evident that compliance on projects implemented with donor funds will be less absorbed due to strict compliance conditions and work inefficiencies. Interestingly, in other countries such as Uganda, Basheka et al. (2020) unearth the rate of absorption of development projects remains inconsistent, moderate to low based on the sources of funding. Similarly, in Tanzania, there were reports that the system experienced

challenges with implementation and planning within the specific system, which stopped the absorption rates from increasing significantly. (World Bank 2023) All of these findings indicate the need for improved public financial management (IMF); this should be done for increased efficiency, accountability and timely implementation of development programs (Transparency International, 2023).

The budget absorption in Kenya can be said to be two-fold, as it consumes a lot of recurrent budget while scattered development funds are absorbed. The Nairobi based National Treasury Kenya reported in 2023 that the recurrent budgets are heavily absorbed while funding development programmes is still grappling with key challenges. The question of inefficiencies in the management of public expenditure comes when absorption rate of development funds has dipped during the past several years, according to the Office of the Controller of Budget (2024). Empirical studies such as Owuor (2023), identify poor planning frameworks, delayed procurement and inequitable resource allocation mechanisms as some of the challenges facing women in these contexts. In fact, the proportion of external funding borrowed with no use is high every year, as pointed out by Findley et al. (2020) in this regard, which suggests inefficiencies in executing of projects. These challenges are particularly impacting on the county's governments as they are responsible for providing essential services such as health, agriculture and infrastructure (KIPPRA, 2022; World Bank, 2023).

The County level has been a sore point for budget absorption, as some Councils have low levels of budget utilization in development expenditure. The planning and implementation of county budgets is not strong, as a large proportion of county budgets, according to the Office of the Controller of Budget (2021), is spent towards the end of the financial year. Kingsley Holton of the ICPAK says inefficiencies typically follow, leading to poor quality project output and minimal results in terms of development. Delayed procurement process and financial control problems are also cited as contributing to the low absorption rates at the county level (Nyamori and Wanyama (2021)), as was the case in this study. Poor utilization of the public funds has been linked with the endemic issues that affect service delivery in a county like Nairobi City County, which include poor waste management, inadequate healthcare services and poor infrastructures. The problems are symptoms of widespread deficiences in practices of PFM, particularly in planning, execution and monitoring (World Bank, 2023; Transparency International, 2022).

Systems, institutions and processes that govern the planning, allocation, utilization and oversight of use of the public resources to ensure efficiency, transparency and accountability are systems, institutions and processes that govern the planning, allocation, utilization and oversight of use of the public resources to ensure efficiency, transparency and accountability. The government ought to have adequate financial management systems for fiscal management and sustainable economic growth as stipulated by International Monetary Fund (2022). Also, Public Expenditure and Financial Accountability (2023) says that the characteristics of good financial management include planning budgets, financial reporting, internal control and managing assets and liabilities. These studies by Lienert (2020) and Andrews et al. (2021) show that with more efficient public financing systems, it is also more likely that the countries will achieve higher efficiency in their use of the

available resources and better results in service delivery. To this end, transparency, accountability, and inclusion of stakeholders as parts of the main components are crucial to ensure that there is no misuse of funds and that the priorities of the Public expenditure are aligned with the priorities of the development (OECD, 2023; World Bank, 2024).

Good practices of PFM not only focus on conforming to the budget allocation, but also on guaranteeing transparency, citizen engagement, and accountabilities for the use of the public resources. According to International Budget Partnership Kenya (2024), the digital financial systems and participatory budgeting are two reforms with the positive impact of better access to fiscal information and rising fiscal surveillance by the public in Kenya. Similarly, according to World Bank (2025), digital public finance helps to monitor public spending in real time and reduces the risk of misuse. Other empirical studies, such as those of Azevedo and Aquino (2022), underscore a correlation between transparency, citizen involvement and budget credibility, and higher rate of budget absorption. The rise in the number of counties reporting highlights an encouraging trend as there is a greater push for accountability and the public finite in terms of spending matching the needs of the county community. These changes signify the significance of the practices of the PFM which helped to improve the performance of public institutions, the quality of the public service and the end results which led to more budget absorption (OECD, 2023).

1.2 Statement of the Problem

High budget absorption is critical in ASAL regions such as Wajir County because it directly determines the extent to which scarce public resources are converted into tangible development outcomes such as water access, health services, and infrastructure. In such contexts, delayed or unspent development funds exacerbate vulnerability, deepen inequality, and slow down socio-economic transformation. However, available evidence indicates that Wajir County has experienced fluctuating and generally suboptimal budget absorption trends over time. Between 2017/18 and 2025/26, absorption rates have ranged from 49.7% to 66.5%**,** with a notable decline in 2020/21 (49.7%) before gradual recovery in subsequent years (Controller of Budget, 2025; KNBS, 2024). Although recent years show improvement, the persistently moderate absorption levels suggest inefficiencies in translating allocated funds into completed projects. Studies by the Office of the Controller of Budget (2024) further indicate that such patterns are common in devolved units, where delays in implementation and weak execution capacity continue to constrain optimal use of development budgets.

Public financial management (PFM) practices are widely recognized as essential in addressing inefficiencies in budget utilization and improving absorption outcomes in county governments. Effective PFM systems enhance planning, execution, monitoring, and accountability in the use of public resources. According to Rossi, *et al.* (2024), strong PFM systems are central to achieving fiscal discipline and ensuring that budgets are implemented as approved. Similarly, Guariso, D. et al. (2023) emphasize that modern PFM reforms, including digital budgeting and automated tracking systems, improve transparency and execution efficiency. Further, Lino *et al.* (2023) argue

that audit digitalisation and financial oversight mechanisms significantly strengthen budget execution processes at sub-national levels. In addition, Simpson *et al.* (2020) highlight that robust financial management information systems enhance accountability and reduce inefficiencies in fund utilization. Therefore, strengthening PFM practices is considered a key pathway to improving budget absorption in county governments such as Wajir.

Despite the growing body of literature on PFM, empirical evidence on its specific influence on budget absorption in marginalised and arid counties remains limited and fragmented. For instance, Otieno, Nyamita and Lucas (2025) examined the effect of PFM practices on budget absorption among counties in the Lake Region Economic Block and established that PFM practices significantly influence absorption levels; however, their study was geographically confined to western Kenya, limiting applicability to arid counties like Wajir. The operationalization of study variables also presented the conceptual gaps. Similarly, Tum (2025) focused on PFM, oversight and financial accountability in Nandi County and found that governance structures influence financial compliance, yet the study did not address counties variables such as budget credibility and internal controls. Kipkirui (2020) assessed budget utilisation across all Kenyan counties using secondary data, but the study did not disaggregate findings for arid and semi-arid counties, nor did it examine specific PFM components influencing absorption performance. Taken together, these studies demonstrate a clear geographical, conceptual, contextual, and methodological gap in literature, as none have comprehensively examined how budgeting credibility, financial reporting, internal control, and asset-liability management influence budget absorption in Wajir County. This gap justifies the need for the present study, which sought to establish the effect of PFM practices on budget absorption in Wajir County, Kenya.

1.3 Objectives of the Study

(i) To evaluate the effect of budgeting credibility on budget absorption of Wajir county government, Kenya.
(ii) To determine the effect of financial reporting on budget absorption of Wajir county government, Kenya.
(iii) To analyze the effect of internal control on budget absorption of Wajir county government, Kenya.
(iv) To evaluate asset liability management on budget absorption of Wajir county government, Kenya.

2.0 REVIEW OF LITERATURE

2.1 Theoretical Review

2.1.1 Modern Theory of Public Finance.

The Modern Theory of Public Finance is pegged on the contributions of scholars who influenced the perception of government fiscal activities in contemporary economies. Oates, Musgrave, and Oates are generally considered to be the main advocates of this theory. Oates (1999) points out that the emphasis of the public finance should be on correcting the market failures by efficient allocation of resources at various levels of government. Musgrave (1959) also conceptualizes the

public finance in terms of three fundamental functions, i.e., allocation, distribution and stabilization of the public resources. Oates (1972) builds on this argument by stating that decentralization enhances efficiency when local governments are more in touch with the preferences of citizens. This opinion is supported by the IMF (2022), which emphasizes that the modern system of public finance needs a high level of institutional coordination to ensure fiscal discipline and macroeconomic stability. Together, these scholars contend that an effective system of public finance should balance central control with decentralized fiscal decision-making to ensure efficiency and equity in resource allocation.

Institutional and political economy views have also contributed to the theoretical development of modern public finance by explaining how the structure of governance affects fiscal outcomes. According to Ostrom, Buchanan, and Bird, economic efficiency is not the only factor that influences fiscal decisions, but also political incentives and institutional arrangements. Ostrom (1990) emphasizes the role of collective action and institutional diversity in the determination of efficiency in the public sector. Buchanan (1987) points out that self-interest among political actors may result in inefficient fiscal outcomes unless properly checked by institutional checks. Bird (2002) further contends that intergovernmental fiscal transfers play a significant role in fiscal discipline and resource allocation at subnational levels. The OECD (2023), which shows that governance quality and openness have a major influence on public financial performance, lends more credence to these claims. The World Bank (2024) also notes that institutional capacity plays a significant role in determining whether fiscal decentralization is successful. Standardized PFM frameworks are crucial for improving accountability and budget implementation, according to the PEFA Secretariat (2023).

2.1.2 Theory of Fiscal Decentralization

The Theory of Fiscal Decentralization is based on the writings of various classical and modern scholars of public finance who focus on the redistribution of fiscal power between central and subnational governments. Oates (1972) is commonly known as one of the pioneering proponents who argued that decentralized governance enhances efficiency in the delivery of public services by aligning the public expenditure with the local preferences. Bird (2002) further advanced the theory by highlighting that fiscal transfers between levels of government enhance equity and macroeconomic stability in developing economies. Boadway (2009) extended the theory by highlighting the significance of intergovernmental fiscal relations in the achievement of optimal distribution of resources across jurisdictions. Weingast (1995) also added the market-preserving aspect of fiscal federalism, claiming that decentralization facilitates economic growth by limiting opportunistic behavior of the central government. All these scholars came up with fiscal decentralization as a tool of enhancing efficiency, accountability, and responsiveness in the systems of public finance. The theory presupposes that subnational governments are more in touch with citizens and thus better placed to distribute resources effectively. It is also based on the assumption that there is institutional capacity to effectively manage devolved funds.

2.1.3 Stewardship Theory

The Stewardship Theory is based on the assumption that managers are inherently motivated to act in the best interest of their principals, with an emphasis on trust, collaboration, and organizational commitment. Donaldson (1991) is generally considered one of the first advocates who criticized the agency theory by stating that managers are stewards and not opportunistic agents. Davis (1997) furthered the theory by stating that when managers are given autonomy and trust, they naturally align their goals with organizational objectives. Hernandez (2008) extended the theory by incorporating psychological ownership and intrinsic motivation as major factors that drive stewardship behavior. All these scholars hold the view that organizational performance is enhanced when trust is used in place of excessive control mechanisms. The theory presupposes that people are self-actualizing and pro-organizational in their nature. It also focuses on the group interests rather than personal interests. The theory of stewardship thus changes the emphasis of control to empowerment in the governance systems.

2.1.4 Stakeholder's Theory

The Stakeholder Theory was created to describe how organizations should consider the interests of various stakeholders instead of focusing on shareholders or central authorities. Freeman (1984) is commonly known as the first person to coin the idea of stakeholder management in the governance of organizations. Clarkson (1995) further developed the theory by classifying the stakeholders into primary and secondary groups depending on their impact on the survival of the organization. The theory was further developed by Donaldson and Preston (1995) who highlighted the descriptive, instrumental, and normative aspects of the theory. All these scholars are of the view that organizations have to strike a balance between competing stakeholder interests in order to attain sustainable performance. The theory presupposes that organizations are placed in a system of interrelated stakeholders. It also focuses on responsibility beyond monetary gains. The stakeholder theory thus expands the area of governance and financial management of the populace.

2.2 Empirical Literature

Abdullahi and Musau (2025) examined the budget credibility and financial monitoring practices in terms of PFM practices' compliance in Kenya. The research was done in the City County of Nairobi and took the financial monitoring systems as a intervention to test their impact on budget credibility and adherence to the PFM rules. The descriptive survey design was used for the researchers' investigation, considering the strength of its sampling method involving subjects that are the county finance officers, auditors and budget implementation personnel. Questionnaires were used to gather the data and regression models and descriptive statistics were employed in analyzing the data. The findings were that good financial monitoring practices proved to be beneficial in increasing compliance with budgeted spending ceilings and the credibility of the budget. The study found that high quality monitoring systems bring about less variation between authorised and actual spend, therefore fiscal discipline. A methodological problem there is that the

study was primarily based on a survey method focusing largely on perceptions rather than objective data from financial audits; this restricting the use of financial audit data to appraise budget credibility. There is also contextually a gap as the study was conducted in the context of Nairobi City County and Wajir County had different financial systems and Nairobi City County is a relatively advanced county. The study's conceptual emphasis was placed on compliance systems and monitoring, without explicitly addressing the contribution of budget credibility to the efficiency of budget absorption.

Tum (2025) examined the assessment of the budget credibility, budget oversight and budget accountability for Nandi County Government in Kenya. The research was done in Nandi County and limited to the effectiveness of oversight structures in strengthening budget credibility and financial accountability. An integrated design of the mixed-methods approach was used, using survey data from county administrators and interview data from oversight committees. The data was analyzed by regression analysis and thematic content analysis to create relationships between the oversight mechanisms and outcomes of financial accountability. The results found strong linkages between budget credibility and accountability in county financial management if good budget oversight mechanisms are in place. Those findings were used to draw the conclusion that better monitoring yield more congruence between budgetary commitments and actual spending. The study, however, though adherent towards financial accountability oriented objectives, could not be helped but neglect budget absorption as the dependent financial performance indicator, a concept not in tune with the situation. Additionally, a gap has been revealed which is contextual as the study stemmed from a high capacity county environment that may not be as picturesque to financial management in Wajir County. The study methodologically was based on mixed qualitative interpretations which can bring subjectivity in the evaluation of the outcomes of the budget credibility.

An analysis conducted by Safkahar, Afiah, Poulus and Dahlan (2020) into the West Papua and Papua provinces of 44 city administrations/regencies in Indonesia found that quality financial reporting has an impact on good governance. This study used a Census method which consisted of all local governments in Indonesia as sample without any sampling, and Directorate of Regional Financial Management (DPPKAD) as the Unit of Analysis. To determine the connection between accrual-basis reporting on finances and governance results, a qualitative method known as causality analysis was employed. Findings indicate that good governance as measured by the quality of financial reporting in the accrual basis is significantly influenced by high-quality accrual financial reporting in the area of transparency and accountability in resource management. The study concludes that quality of financial reporting is one of the important factors determining the quality of governance in subnational governments. A context difference arises owing to different fiscal decentralization structures in the spaces in which this study was conducted (the Indonesian provinces) than in Wajir (Kenya), limiting the applicability of the results. Additionally, there is a theoretical gap because the study focused on administration outcomes rather than program absorption, which would measure how well the budget was executed. In methodological approaches, the methodology of census design did not allow for any comparative analysis across

the diverse administrative contexts and environments, thus reducing the generalizability of the inferences.

The study by Sani, Omatola and Akor (2021) aimed at examining the effect of financial reporting on accountability in the public sector institutions of Nigeria, particularly the annual financial statements and PFM practices. The order of the research used in the study was quantitative with data processed with software SPSS version 2008 in the form of structured data. A regression analysis was carried out and the obtained result shows high correlation coefficient (R = 0.882) but not reaching the level of significance and the R^2=0.777, which means that the financial reporting variables accounted for the 77.7% of variances in public sector accountability. The ANOVA results validated the statistical validity of the model, and the regression coefficients noted budgeting was a significant variable in the model with evidence of low financial reporting quality. The results confirmed the capability of the report of improving financial transparency and accountability within Public Institutions. The study has, however, presented a conceptual challenge as it focussed only on responsibility, while financial reporting had not been directly related to the budget absorption efficiency that is crucial to the assessment of fiscal performances. A methodological gap also exists as older analytics software versions are used, which restricts results from being robust and reproducible in today's data analytics. The study was contextually the federal public sector as this was specific as opposed to Kenya's devolved county governments Wajir for instance, and therefore cannot be readily applied.

Kimani's 2024 study on the subject looked at procurement, expenditure and audit control systems in selected counties of Kenya with a subset of counties on financial performance. A mixed-methods research design approach involved both qualitative focused interviews and quantitative survey questionnaires to data gathering from the finance officers and auditors. Using purposive and stratified sampling techniques, a sample of 120 were randomly picked. Data analysiswas used to determine the relationships of internal control systems with financial performance: Regression Analysis and Thematic Content Analysis. The results revealed that the efficiency of the budget execution was found to be positively influenced by the good system of internal control while the elimination of financial leakages was found to be negatively influenced by the good system of internal control. This study found that counties that have well-developed internal controls strategies have higher levels of financial discipline and/or use of resources. There is however a gap in context in this study which did not involve arid and semi-arid county because the challenge of budget absorption is higher at arid and semi-arid counties. There is also a methodological gap because not much information regarding the real-time execution of the budget was incorporated, which prevented for measuring the absorption rates with the desired accuracy. The study is conceptual, meaning that overall financial performance was examined to a broad extent rather than only examining budget absorption as the outcome variable which was explored in the present study.

Muthoni (2025) investigated the internal audit systems and implications on budget implementation in devolved governments in Kenya based on selected county treasuries. This study employed correlational research design and respondents were respondents who were internal auditors and

finance officers, as many as 95 respondents were involved in this study. Primary data were collected by questionnaires while secondary data by document analysis. Pearson correlation and multiple regression techniques were used for data analysis to reflect the relationship of internal audit strength with the level of budget absorption. TThe findings showed that county governments' execution of budgets typically goes smoothly because of effective internal auditing mechanisms that reduce outstanding bills to a fair degree. It's a study found that internal audit effectiveness is one of the factors/criteria that influence the financial discipline of devolved units. The study was however lacking in the inclusion of areas other than ASAL where internal control systems have limited resources and capacities like Wajir. There is a conceptual gap as there is no distinction in the study between various components of internal control (e.g. risk management and compliance monitoring) and internal control in general. There is also a methodological gap as it is based on indicators that are gathered by the self-report method, so possibly they can be subjective and distorted in measuring true outcomes of budget absorption.

In the Sub Saharan context, Kamau and Mwangi (2023) tested the hypothesis of asset-liability management and public financial sustainability; using a case of Kenya to explore the link between asset-liability management practice and the fiscal sustainability and budget execution in developing economies. The research design used was a mixed method as both public debt and asset portfolio were analysed quantitatively and statistics were obtained from in-depth interviews with treasury officials in the selected African countries which included Kenya. To analyze the link between ALM practices and the budget absorption efficiency, panel data regression models were used. It was found that proper asset vs liability management plays a crucial role in increasing fiscal sustainability and liquidity pressures are reduced and budget execution is improved. The study's conclusions demonstrated that links between public assets and liabilities improve financial resilience and development resource absorption. A contextual gap remains, however, as the study analyzed the countries of Sub-Saharan Africa in general without being able to focus on situations in specific counties, such as Wajir where there are higher levels of accessibility constraints characterized by liquidity pressures and absorption inefficiencies. Despite the fact that the study was primarily focused on sustainable finances and did not specifically use budget absorption as an independent, quantifiable dependent construct, there is a theoretical gap. Inmethodologically, cross-country panels reduced the precision in the measurement of the fiscal dynamics and institutional constraints at the county level.

3.0 RESEARCH METHODOLOGY

This study adopted a cross-sectional research design. The design entailed obtaining data from respondents during the single time in Wajir County Government specified by the researcher. The design was suitable since it enabled the researcher to study the link between the practices of PFM and Absorption of budget (Pandey and Pandey 2021). The target population for the study was 270 management level executives of Wajir County Government directly engaged in the various PFM functions such as budgeting, financial reporting, asset liability management and internal controls. The Stratified sampling method employed as it allows the sample to consist employees of all Wajir County Government who accurately represented the total population of the County Government

population. Sample Size of 161 was selected using Yamane (1967) formula Primary data was collected using a semi-structured questionnaires The secondary data were collected using a data collection sheet which captured the budgeted expenditure and actual expenditure of Wajir County Government in the study period. Data was analyzed using descriptive statistics, Pearson correlation and multiple linear regression analysis The following regression model was therefore adopted to guide the analysis:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon \quad \text{.....3.1}$$

Where:
Y = Budget absorption
X_1= Budget credibility
X_2=Financial reporting
X_3=Internal control systems
X_4=Asset-liability management
β_0 = Constant term
$\beta_1,\beta_2,\beta_3,\beta_4$ = Regression coefficients
ε/=Error term

4.0 RESEARCH FINDINGS AND DISCUSSION

Percentages, mean (M) and standard deviation (SD) served as statistical parameters for presenting quantitative data. The sections that follow present the findings.

4.1.1 Public Financial management practices

Table 1
Descriptive Statistics

Descriptive Statistics	Mean	Std Dev
Budgeting credulity	**2.43**	**0.88**
Financial Reporting	**2.57**	**0.90**
Internal Control	**2.32**	**0.86**
Asset Liability management	**2.22**	**0.85**

The results show that budgeting credibility in Wajir County Government was low, as indicated by an aggregate mean of 2.43 and a standard deviation of 0.88. The aggregate mean, which falls below the neutral point of 3.0, implies that the respondents generally disagreed that the county's budgets

were credible, transparent and implementable. The relatively low standard deviation shows that the respondents held fairly similar views, suggesting a shared perception that the approved budgets did not serve as reliable guides for expenditure.

The findings indicate that financial reporting in Wajir County Government was weak, with an aggregate mean of 2.57 and a standard deviation of 0.90. The respondents disagreed that financial reports were always prepared on time that financial records were properly maintained without inconsistencies, that financial reports were regularly shared with relevant users and that financial information was readily available when needed

The results reveal that internal control systems in Wajir County Government were weak, with an aggregate mean of 2.32 and a standard deviation of 0.86. The lowest ratings were recorded on whether fraud cases were detected and addressed in time, whether financial risks were identified early before causing losses, whether effective systems prevented misuse and misappropriation of fund, and whether risk management procedures were clearly defined and followed. The respondents also disagreed that financial rules and procedures were strictly followed

The findings show that asset-liability management was the weakest of the PFM practices in Wajir County Government, with an aggregate mean of 2.22 and a standard deviation of 0.85. These findings point to the liquidity pressures, accumulation of pending bills and poor management of county assets that have characterized Wajir County. When obligations from previous years are not settled, a substantial part of each year's allocation is used to clear arrears, while new projects stall due to cash flow constraints arising from delayed exchequer releases. The findings agree with Kamau and Mwangi (2023), who established that proper asset-liability management reduces liquidity pressures and improves budget execution, and with Njuguna and Achieng (2024), who found that better coordination of assets and liabilities improves liquidity management and the timeliness of budget implementation. The results are further consistent with Wainaina and Mutiso (2024), who reported that counties with organized asset-liability management systems recorded higher budget absorption rates, and with Otieno and Kiplagat (2024), who linked sound asset-liability monitoring to the predictability of budget execution. The findings support the Theory of Fiscal Decentralization, which holds that devolved units deliver services efficiently only when they have sound fiscal management capacity.

4.1.2 Budget Absorption

Budget absorption, the dependent variable, was assessed using both primary and secondary data. The primary data captured the respondents' perceptions on the absorption of the development budget, project completion, procurement timelines, utilization of exchequer releases, unspent balances and pending bills.

Figure1

Trend in Development Budget Absorption

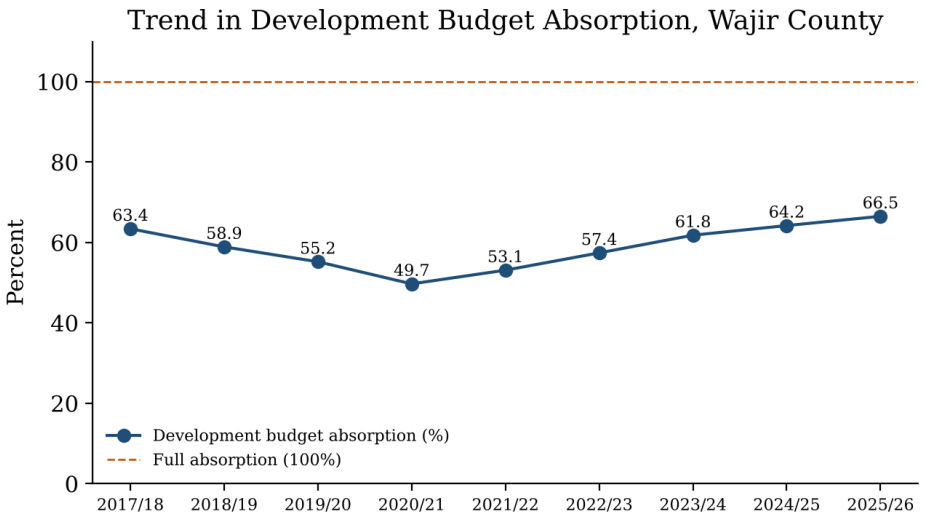


Table shows that the development budget absorption rate of Wajir County Government averaged 58.91% over the nine financial years, with a minimum of 49.7%, a maximum of 66.5% and a standard deviation of 5.58. This implies that, on average, about two-fifths of the approved development budget remained unspent each year. Even the highest absorption rate recorded (66.5%) was well below full absorption, indicating persistent structural weaknesses in budget execution. The secondary data therefore corroborate the perceptual findings in Table 4.5 and support the observation by the Controller of Budget (2025) that marginal recoveries in absorption often reflect short-term administrative adjustments rather than deep institutional reforms.

4.2 Inferential Analysis

4.2.1 Multiple Regression Analysis

Multiple linear regression analysis was conducted to establish the effect of budgeting credibility, financial reporting, internal control and asset-liability management on budget absorption of Wajir County Government, as specified in Model 1. The analysis was performed using SPSS version 25.0, and the results comprise the model summary, the ANOVA and the regression coefficients.

Table2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798a	.637	.626	.37940

Note. a. Predictors: (Constant), Asset-Liability Management, Financial Reporting, Budgeting Credibility, Internal Control

Source: Field Data (2026)

The model summary shows a correlation coefficient (R) of 0.798, indicating a strong combined relationship between the PFM practices and budget absorption. The coefficient of determination (R^2) of 0.637 indicates that 63.7% of the variation in budget absorption of Wajir County Government was explained by budgeting credibility, financial reporting, internal control and asset-liability management, while the remaining 36.3% was explained by other factors not included in the model, such as delays in exchequer releases from the National Treasury, insecurity, procurement capacity and the dispersed nature of settlements in the county. The adjusted R^2 of 0.626 confirms that the model retained strong explanatory power after adjusting for the number of predictors.

Table3

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.083	4	8.021	55.721	.000b
	Residual	18.281	127	.144		
	Total	50.364	131			

Note. a. Dependent Variable: Budget Absorption; b. Predictors: (Constant), Asset-Liability Management, Financial Reporting, Budgeting Credibility, Internal Control

Source: Field Data (2026)

The ANOVA results show that the regression model had an F-statistic of55.721 with a p-value of 0.000, which is less than0.05. This implies that the regression model was statistically significant and that the PFM practices jointly had a significant effect on budget absorption. The model was therefore a good fit for predicting budget absorption in Wajir County Government.

Table4

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.349	.182		-1.919	.057
	Budgeting Credibility	.284	.071	.301	4.000	.000
	Financial Reporting	.167	.068	.188	2.456	.015
	Internal Control	.312	.074	.329	4.216	.000
	Asset-Liability Management	.219	.070	.236	3.129	.002

Note. a. Dependent Variable: Budget Absorption

Source: Field Data (2026)

Regression Model

The regression model generated from the coefficients was:

$$Y = -0.349 + 0.284X_1 + 0.167X_2 + 0.312X_3 + 0.219X_4$$

Where: Y = Budget Absorption; X_1=Budgeting Credibility; X_2 = Financial Reporting; X_3 = Internal Control; X_4 = Asset-Liability Management.

The constant of-0.349 was not statistically significant (p=0.057), implying that in the absence of the four PFM practices, budget absorption would be negligible. This underscores the central role of PFM practices in the execution of the county budget.

The results show that budgeting credibility had a positive and statistically significant effect on budget absorption (β=0.284, p=0.000). This implies that a unit improvement in budgeting credibility would lead to a 0.284-unit increase in budget absorption, holding the other factors constant. This finding is significant given the low level of budgeting credibility recorded in the descriptive analysis (M = 2.43), particularly the mismatch between actual spending and approved budgets. Budgets that are unrealistic or not adhered to lead to frequent supplementary budgets, reallocations and stalled projects, all of which reduce absorption. Improving the realism of budget estimates and the adherence to approved budgets would therefore significantly improve the absorption of development funds.

The results indicate that financial reporting had a positive and statistically significant effect on budget absorption (β=0.167, p=0.015). This implies that a unit improvement in financial reporting would result in a 0.167-unit increase in budget absorption, holding other factors constant. Although financial reporting had the smallest coefficient among the four practices, its significance shows that timely, accurate and accessible financial information supports budget execution by enabling departments to track expenditure, identify unspent balances and make timely adjustments.

The results show that internal control had the strongest positive and statistically significant effect on budget absorption (β = 0.312, p = 0.000). A unit improvement in internal control would lead to a 0.312-unit increase in budget absorption, holding other factors constant. The standardized coefficient (Beta = 0.329) was also the largest among the four practices, confirming that internal control was the most influential determinant of budget absorption in Wajir County Government.

The results show that asset-liability management had a positive and statistically significant effect on budget absorption (β=0.219, p=0.002). This implies that a unit improvement in asset-liability management would lead to a 0.219-unit increase in budget absorption, holding the other factors constant. Given that asset-liability management recorded the lowest aggregate mean among the independent variables (M = 2.22), the finding suggests that poor liquidity planning, the accumulation of obligations and pending bills, and the under-utilization of county assets significantly constrain budget absorption in Wajir County.

The findings agree with Otieno et al. (2025), who established that credible budgeting processes significantly enhance budget absorption in the Lake Region Economic Block counties, and with Mwangi (2024), who found that budget credibility significantly enhances absorption by reducing deviations between planned and actual resource use. The results are also consistent with Ochieng (2026), who reported that high budget credibility significantly improves absorption and reduces pending bills, and with Abdullahi and Musau (2025), who found that sound monitoring increases compliance with budgeted spending ceilings. Unlike Tum (2025), whose study focused on financial accountability rather than absorption, the present study demonstrates that budget credibility directly translates into the execution of development budgets in an ASAL county. The findings support the Modern Theory of Public Finance, which posits that fiscal discipline and realistic budgeting enhance the efficiency of public resource utilization.

The first hypothesis (H_{01}) stated that budgeting credibility does not statistically significantly impact the Wajir County Government's budget absorption. Since the p-value (0.000) was less than 0.05, the null hypothesis was rejected. The study concluded that budgeting credibility has a positive and significant effect on budget absorption of Wajir County Government.

The findings agree with Mutiso (2024), who found that timely and accurate financial reporting improves budget execution efficiency in Kenyan counties, and with Wekesa (2025), who established that strong financial reporting systems significantly improve the effectiveness of budget utilization. The results are also consistent with Sani, Omatola and Akor (2021), who found that financial reporting variables significantly explained public sector accountability in Nigeria, and with Angaye and Frank (2022), who reported that sound financial reporting improves the tracking of financial resources. However, while Safkahar et al. (2020) linked financial reporting to good governance in Indonesia, the present study extends this relationship to budget absorption in a devolved Kenyan context. The findings support Stakeholder Theory, which emphasizes the provision of reliable information to stakeholders for oversight and decision-making.

5. CONCLUSIONS

Based on the findings, the study concludes that budgeting credibility has a positive and significant effect on budget absorption of Wajir County Government. The persistent mismatch between approved budgets and actual expenditure, and the lack of realism in budget estimates, have significantly contributed to low absorption of development funds.

The study further concludes that financial reporting has a positive and significant effect on budget absorption. Although the county presents its financial reports in the required formats, the delays and inconsistencies in financial records limit the ability of departments and oversight bodies to monitor budget execution and take corrective action in time.

The study also concludes that internal control is the most influential PFM practice in determining budget absorption in Wajir County Government, yet its risk management and fraud detection components remain weak. Weak internal controls expose public funds to leakages and contested payments, which stall projects and lead to unspent balances.

The study concludes that asset-liability management has a positive and significant effect on budget absorption. Poor liquidity planning, accumulation of obligations and pending bills, and under-

utilization of county assets have constrained the capacity of the county to execute its development budget.

Overall, the study concludes that budget absorption in Wajir County Government remains low because the county's PFM practices are weak in practice despite the existence of a legal and institutional framework under the PFM Act, 2012. Strengthening these practices offers a viable pathway to improving the absorption of development funds and service delivery in the county.

6. RECOMMENDATIONS

Based on the findings and conclusions, the study makes the following recommendations.

First, the Wajir County Treasury should enhance budgeting credibility by preparing realistic revenue and expenditure estimates that are based on the actual implementation capacity of departments, linking the annual budget to the County Integrated Development Plan and procurement plans, and minimizing supplementary budgets and reallocations. Budget information should be shared with all departments and the public in good time.

Second, the county should improve financial reporting by preparing and submitting quarterly and annual financial reports within the statutory timelines, reconciling financial records regularly, and fully utilizing the Integrated Financial Management Information System to provide real-time expenditure information to departments. Continuous capacity building of finance and accounting staff on IPSAS should be prioritized.

Third, the county should strengthen internal control by establishing a comprehensive risk management framework, enhancing the independence and capacity of the internal audit unit and the audit committee, and introducing fraud detection mechanisms. The recommendations of the Auditor-General should be tracked and implemented within the same financial year, and sanctions should be applied to officers responsible for irregular expenditure.

Fourth, the county should improve asset-liability management by developing cash flow plans aligned to the expected exchequer releases, verifying and settling eligible pending bills according to a structured payment plan, and preventing the commitment of expenditure outside approved budgets. The county should also maintain an up-to-date asset register and dispose of or re-purpose idle assets.

At the policy level, the National Treasury should ensure timely release of the equitable share to counties, while the Controller of Budget and the Senate should strengthen oversight on the absorption of development budgets, especially in ASAL counties. In addition, the procurement function should be strengthened through early preparation of procurement plans and the adoption of e-procurement to reduce delays in project implementation.

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