

**IMPACT OF FINANCIAL DISTRESS MANAGEMENT PRACTICES ON
FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF
MERU KENYA**

JACKLINE KARIMI MAITIMA


**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF MASTERS IN BUSINESS
ADMINISTRATION DEGREE IN FINANCE OF
MOUNT KENYA UNIVERSITY**

JUNE 2024

DECLARATION AND APPROVAL

Student Declaration

This idea is wholly original with no prior submissions made to a university for a degree or other award.

Signature  Date: ...**15/05/2024**.....

Jackline Karimi Maitima

MBA/43009/2016

Supervisor's Approval

I certify that the candidate worked under my direction to complete this project.

Signature:  Date: ...**20/05/2024**.....

Dr Ruthwinnie Munene, PHD

Lecturer, Mount Kenya University

DEDICATION

Special dedication goes to my sister Christine Makena Maitima for her encouragement and support.



ACKNOWLEDGEMENT

Please allow me to take this opportunity to thank you from the bottom of my heart. First and foremost, I would want to show my appreciation to my esteemed supervisor, Dr. Ruthwinnie Munene, for the consistent support and direction that she has provided me with. My gratitude to the faculty members of teaching business and economics at the Mount Kenya University campus in Meru. I am indebted to them for their guidance and ideas, which proved to be quite beneficial to me.



ABSTRACT

In the same way that other types of businesses struggle to meet their financial obligations and pay their bills on time, county governments confront issues in areas such as making timely payments to employees and vendors. These are some samples that illustrate what this category is like in general. Not only does every single stakeholder have a personal investment in the issue's successful resolution, but they also each have a role to play in the process of working toward that objective. They are aware that the manner in which a financial crisis is managed could play a role in determining whether or not the company continues to exist, and as a result, they are making an attempt to obtain as much information as they possibly can in this field. This study's objective was to investigate how different approaches to financial difficulties taken by the Meru County Government in Kenya have impacted the overall earnings and expenditures of the county. These are the objectives of this study: to conduct an analysis of the impact that financial planning practices have on the financial performance of the Meru County Government; to conduct an evaluation of the impact that financial planning practices have on the effect that internal control procedures have on the financial performance of the Meru County Government; to determine the impact that budgeting processes have on financial performance; and to evaluate the impact that government policies have on the financial performance of the county. The research was grounded in the financial distress theory and employed a correlation survey research design. The participants targeted were County Executive Committee Members, financial officers, Chief Officers, and County accountants from various departments within the Meru County government, totaling 69 respondents, with the study utilizing a census approach. Both primary and secondary data sources were utilized, with primary data collected through questionnaires and secondary data derived from financial statements obtained from County Offices. The validity of the research instrument was assessed through consultation with content experts and supervisors, while reliability was evaluated using Cronbach's alpha coefficient. Data analysis involved employing descriptive and inferential statistical techniques, with results presented through graphs, charts, frequency tables, and a regression model. The findings indicated a statistically significant relationship between budgeting practices ($R=0.539$, $P<0.05$), internal control practices ($R=0.464$, $P<0.05$), financial planning practices ($R=0.652$, $P<0.05$), and county governance practices ($R=0.543$, $P<0.05$) with performance. The study recommended the implementation of robust budgeting and budget implementation practices to enhance resource control and effective resource utilization within the county government. Additionally, the establishment of periodic monitoring and evaluation programs was advised to improve the efficiency and effectiveness of service delivery. The insights derived from this study could benefit county managements in addressing financial challenges and improving the financial performance of County Governments. Furthermore, the study suggests exploring other variables beyond those investigated in this research to gain a comprehensive understanding of factors influencing the performance of county governments.

TABLE OF CONTENTS

DECLARATION AND APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENTS.....	vi
LIST OF TABLES	x
LIST OF FIGURES	xi
ABBREVIATIONS AND ACRONYMS	xii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background.....	1
1.1.1 Financial Distress Management Practices.....	2
1.1.2 Monetary Performance of the county Government.....	5
1.2 Statement of the Problem.....	8
1.3 Purpose of the study.....	9
1.4 Specific Objectives	10
1.6 Significance of the study.....	10
The following stakeholders will have value of this study:.....	10
1.6.1 County government.....	10
1.6.2 National government.....	11
1.6.3 Strategy makers	11
1.7 Scope.....	12
1.8 Limitations	12
1.9 Delimitation of the study	13
1.10 Assumptions of the study.....	13

1.11 Operational Definition of Key Terms	15
CHAPTER TWO	16
LITERATURE REVIEW	16
2.0 Introduction.....	16
2.1 Theoretical Review	16
2.1.1 Agency theory	16
2.1.2 Regulation theory	17
2.1.3 Financial distress theory.....	19
2.2 Empirical Literature.....	20
2.2.1 Budgeting Practices and Performance	20
2.2.2 Internal Control Practices and Performance.....	24
2.2.3 Fiscal Planning and Performance.....	27
2.2.4 Governance Practices and Performance.....	29
2.4 Recap of literature review	36
CHAPTER THREE	38
RESEARCH METHODOLOGY	38
3.1 Introduction.....	38
3.2 Research Design	38
3.3 Location of the Study.....	38
3.4 Target Population	39
3.5 Sample Size and Sampling Procedures.....	39
3.6 Data Collection Instruments	40
3.6 Validity and Reliability of The Study	41
3.6.2 Reliability of the Instrument	41
3.7 Data Collection Procedures.	42
3.8 Data Analysis and Presentation.....	43
3.9 Ethical Considerations	44

CHAPTER FOUR	45
RESEARCH FINDINGS AND DISCUSSION.....	45
4.1 Introduction.....	45
4.2 Response Rate.....	45
4.3 Reliability Analysis.....	46
4.4 Demographic Information.....	47
4.4.1 Gender of the Respondents	47
4.4.2 Age	47
4.4.4 Level of Academic Qualifications.....	49
4.5 Descriptive Statistics.....	50
4.4.1 Budgeting Practices.....	51
4.4.2 Internal Control Practices and Performance.....	54
4.4.3 Financial Planning practices	56
4.4.4 Governance Practices	58
4.4.5 Performance of County Governments.....	60
4.5 Inferential Analysis	62
4.5.1 Diagnostic Tests	62
4.5.2 Correlation Analysis.....	65
4.5.3 Regression Analysis	67
4.5.3 Regression Coefficients.....	69
CHAPTER FIVE.....	71
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	71
5.1 Introduction.....	71
5.2 Summary of the Result Findings	71
5.2.1 Budgeting Practices and Performance	71
5.2.2 Internal control practices and performance.....	72
5.2.3 Financial planning practices and performance.....	73

5.2.4 County Governance Practices and Performance	73
5.3 Conclusions.....	74
5.3.1 Internal Control Practices and Performance.....	74
5.3.2 Internal Control Practices and Performance.....	74
5.3.3 Financial Planning Practices and Performance	74
5.3.4 County Governance Practices and Performance	75
5.4 Recommendations.....	75
5.5 Recommendations for Further Research.....	76
REFERENCES	77
APPENDICES	82
Appendix I: Informed Consent Form.....	82
Appendix II: Questionnaire.....	83
Appendix IV: ERC Certificate	88
Appendix V: Introduction Letter.....	89
Appendix VI: Research Permit	90
Appendix VII: Field entry authorization.....	91
Appendix VIII: Similarity Index.....	92

LIST OF TABLES

Table 1: Target Population.....	39
Table 2: Sample Size	40
Table 3: Response rate.....	45
Table 4: Pilot Test Results	46
Table 5: Gender of the Respondent	47
Table 6: Work Experience of the Respondent	49
Table 7: Level of Academic Qualification.....	50
Table 8: Descriptive Results on Budgeting practices	51
Table 9: Descriptive Results on Internal Control Practices.....	54
Table 10: Descriptive Results on Financial Planning Practices	57
Table 11: Descriptive Results on Governance Practices	58
Table 12: Descriptive Results on performance of county government	60
Table 13: Normality Test	63
Table 14: Homogeneity Test.....	64
Table 15: Multicollinearity Test.....	64
Table 16: Correlation Analysis Correlations	65
Table 17: Model Summary	68
Table 18: ANOVA Statistics	68
Table 19: Coefficients ^a	69

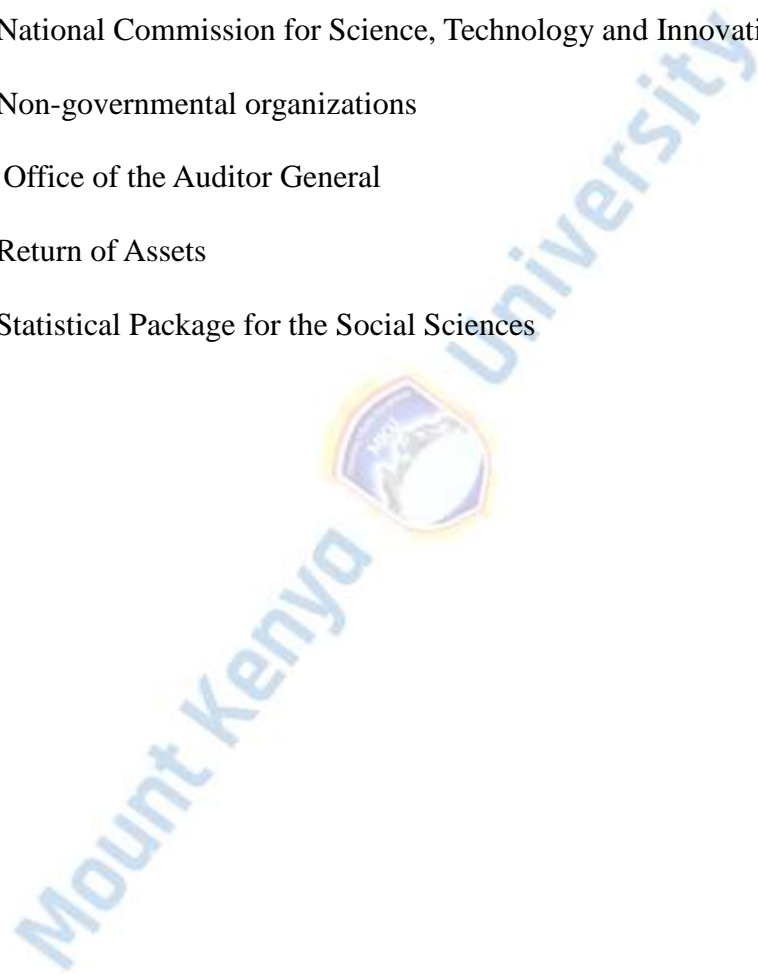
LIST OF FIGURES

Figure 1: Conceptual Framework.....	34
Figure 2: Age of the Respondents	48



ABBREVIATIONS AND ACRONYMS

CGI:	Corporate Governance Index
CoG:	Council of Governors
DSBM:	Dynamic Slacks Based Model
MKU:	Mount Kenya University
NACOSTI:	National Commission for Science, Technology and Innovation
NGO:	Non-governmental organizations
OAG:	Office of the Auditor General
ROA:	Return of Assets
SPSS:	Statistical Package for the Social Sciences



CHAPTER ONE

INTRODUCTION

1.1 Background

When a company is unable to satisfy its financial obligations during the expansion phase of its business or when it is confronted with difficulties in expanding its operations, the company is said to be in a state of financial distress. Both of these potential outcomes place the company's financial situation in a vulnerable state. Inefficiencies in cash flow, decreases in earnings and market value, as well as a lack of forward impetus in corporate development, are important indicators of this state (ElBannan, 2021). The research that was conducted in 2016 by Lin, Ko, and Blocher looked into the important economic repercussions of failed businesses, which typically take place suddenly after an unspecified length of time has elapsed. When the financial difficulties of a firm have a major impact on the company's overall financial situation, this can commonly lead to a cash flow crisis, which renders the company unable to meet its financial obligations. This position presents a significant set of challenges for the firm. If this difficulty continues, the organization may be forced to admit that it is unable to pay its obligations and begin the process of liquidation if it is forced to admit that it is unable to pay its bills. If this problem continues, the organization may be forced to admit that it is unable to pay its debts. According to Sorland and Rudel (2015), there is also the possibility that certain financial institutions will decide not to offer funding to businesses that are going through major financial issues. This decision may be made by the financial institution since the business is experiencing major financial difficulties.

According to Mkoma and Rwekaza (2021), decentralization theories argue for the delivery of all public services within a jurisdiction that has a limited geographic area. In keeping with the principles of decentralization, county governments bring services that are more convenient for residents' proximity to the population. They donate to the low-cost of the country by generating employment opportunities and by offering high-quality medical care facilities, both of which are facilities that they provide. In addition to this, they provide services in the following domains: administration, science, culture, politics, trade, and education (Magambo, 2014).

In Kenya, the year 2010 marked the beginning of a new stage of devolution, which coincided with the implementation of the country's new constitution. The county governments were granted the capacity to independently carry out essential components of devolution as a consequence of this constitution. Despite the extensive acceptance of innovations in decentralized governance, these changes have frequently failed to reach the expectations they had set for themselves in terms of the outcomes they were expected to produce. This failure has occurred despite the widespread support of these innovations. The reforms have been impeded in their ability to distribute resources as a result of problems that have arisen in four significant areas. These components include planning for investments in capital, administration of revenue and finances, management of personnel systems and staff, management of finances and budgets, and planning for investments in capital (Waikenda, 2020).

1.1.1 Financial Distress Management Practices

A corporation is considered to be in a condition of financial distress when it is unable to meet its financial obligations during the expansion period of its business or when it is presented with challenges in growing its operations. Both of these scenarios put the firm in a precarious financial position. Both of these possible results position the

company's financial condition in a precarious state, which could have serious consequences. Important signs of this stage include inefficiencies in cash flow, declines in profitability and market value, as well as a lack of forward drive in corporate development (ElBannan, 2021).

The study by Lin, Ko, and Blocher (2016) looked at significant economic repercussions of failed enterprises, which generally take place unexpectedly after an unspecified amount of time has passed. This type of event typically takes place after an extended period of time has passed. When the financial problems of a corporation have a noteworthy influence on the entire financial status of the organization, this can frequently lead to a cash flow crisis, which renders the company unable to satisfy its financial obligations. The company will face a substantial number of difficulties as a result of this situation. If this problem persists, the organization may be compelled to acknowledge that it is unable to meet its financial responsibilities and initiate the process of liquidation if it is compelled to acknowledge that it is unable to meet its financial obligations. Should this issue not be resolved, the company may be compelled to acknowledge the fact that it is unable to fulfill its financial obligations.

According to Sorland and Rudel (2015), there is also the risk that certain financial institutions will opt not to lend funding to businesses that are going through significant financial troubles. This decision may be made by the institution since the business is experiencing serious financial issues. Due to the significant financial challenges that the company is currently facing, the financial institution may decide to take this course of action. When a corporation is going through a financial crisis, the operating conditions of the business become worse, the firm's financial liabilities become higher, and the company is obligated to renegotiate remuneration at lower levels. The company's situation is getting steadily worse as a consequence of all of these reasons.

When everything is taken into account, the likelihood of filing for bankruptcy increases to a large degree (Patti, 2015).

According to Antill and Grenadier (2019), the organization is capable of reviving itself and making a full recovery provided appropriate management practices and an efficient plan for controlling financial strain are put into place. In other words, the organization will be able to recover fully if these two things are done. Having said that, this is true only in the event that these conditions are met. In other words, the corporation is capable of pulling itself back from the brink of annihilation and making a full recovery from the crisis it is currently in. According to Schwartz (2020), the market value of a company that is experiencing a large level of financial difficulty will almost usually see a significant reduction. This is the case even if the company is able to survive its current predicament. This is the case regardless of whether or not the business is currently making a profit. As a direct result of this, suppliers may demand rapid payment for the products and services that they supply, while major consumers may cancel orders out of concern that they will not receive their acquisitions on time. In addition to this, this may also be a role in the overall rate of economic growth slowing down. This, in turn is able to have an impact, not only on the performance of the organization but also on its day-to-day operations. Moreover, this may have an effect on both of these aspects.

According to Mkoma and Rwekaza (2021), the principles of decentralization advocate for the provision of all public services within a jurisdiction that is comprised of a constrained geographical area. It is the goal of county administrations, in accordance with the principles of decentralization, to make the services that they provide to their constituents more easily available due to the distribution of the county's populace within the county. They contribute to the nation's economy in different of ways,

including the generation of employment opportunities and the provision of facilities for the administration of high-caliber medical care, both of which are examples of facilities that they supply. These two conveniences are together referred to as facilities that they offer to their customers. In addition to this, they provide their services in the areas of administration, science, culture, politics, business, and education (Magambo, 2014).

The year 2010 was a pivotal one for Kenya as it served as the starting point for a new stage of the country's devolution process. This stage started at the same time that the new constitution of the country went into effect, which was the beginning of both. Because of this constitution, county governments were granted the right to independently carry out essential components of devolution, which was a critical step toward giving them more power. This was a landmark achievement on the path to giving them more authority. Despite the widespread adoption of new innovations in decentralized governance, these shifts have, on many cases, failed to meet the expectations they had set for themselves in terms of the results they were anticipated to achieve. Despite the fact that these innovations garnered support from a wide variety of people, the market did not respond positively to them. According to Waikenda (2020), these components consist of planning for investments in capital, management of people systems and staff, administration of income and finances, and management of finances and budgets.

1.1.2 Monetary Performance of the county Government

Since the implementation of devolution in Kenya, county administrations have been presented with significant challenges on the financial front. These challenges have been caused by a lack of adequate funding. Inadequate financial management, falling short of local revenue estimates, delays in collecting the equal part from the National Treasury, excessive recurrent costs, and other potential reasons all contribute to these

hurdles, which embrace a number of other potential difficulties as well. These obstacles also encompass a variety of other potential causes as well. In addition to this, these difficulties include concerns that are related with falling short of the targets set for the amount of local revenue. For example, the local government may not have enough money to pay its employees. County governments have been unable to meet the fundamental responsibilities that they owe to the general public as a result of the obstacles that have been posed by these concerns. The citizens' expectations, which may at times go beyond the realm of what is genuinely possible (Ndalila, 2016), contribute to the worsening of the situation and make it even more difficult to cope with than it already is.

The Council of Governors (CoG) conducted a poll in the year 2017, the results of which suggested that Kenya's county governments are experiencing significant difficulties with their financial performance. These worries are associated with the amount of money that can be brought in by the counties. Some of the challenges that result in these worries include inadequate system architecture, a lack of system documentation, the absence of audit trails, and a deficiency in the automated bank reconciliation procedures. All of these factors contribute to the situation. There are also other issues, such as the absence of audit trails. The investigation unearthed a number of issues, such as a deficiency in the system's data in terms of checks and balances, limitations on the ability to create reports, restrictions on remote accessibility, and sluggish response times. The poll provided new insight into all of these issues that need further attention. The majority of county governments are in serious financial problems as a direct result of these impediments, which have led to excessive spending and resource losses as a result of unsuitable expenditure, irregularities, and the possibility for fraudulent operations (Simon & Muhamed, 2017). These obstacles have led to

excessive spending and resource losses as a result of wrong expenditure, irregularities, and the possibility for fraudulent operations. As a direct and immediate consequence of these difficulties, the majority of county governments are currently dealing with catastrophic financial difficulties. These losses are the consequence of a variety of circumstances, some of which include inappropriate expenditures, disparities, and the likelihood of unscrupulous business practices.

According to a report that was released in 2019 by the Office of the Auditor General (OAG), it was exposed that there was a significant gap between the dollars that were assigned to county governments and the method in which these finances were really used. This information was gleaned from the discovery that there was a significant gap between the monies that were allotted to county governments and the way in which these finances were actually used. This report was the end result of an investigation that was carried out in the same year, and it contained an important observation with reference to this topic. Because of this discrepancy, issues have been raised concerning the processes that county governments use to build their budgets, as well as their management of cash that is received from the federal government and revenue collections (Wang'ombe & Kibati, 2016). In addition, questions have been raised about how county governments handle cash that is received from the federal government. In addition, concerns have been raised over the manner in which county governments handle the financial resources that they acquire as a result of the collection of tax revenues.

In adding, the results of a study that was carried out in 2018 by Transparency International showed that 41% of people living in Kenya's 47 counties were unhappy with the performance of their counties at the time that the survey was carried out. This conclusion was based on the findings of the investigation that was carried out in 2018.

This conclusion was arrived at by analyzing the responses received from local residents who were questioned during the course of the survey that was supported out in the respective counties. The fundamental objective of this survey was to determine, on the basis of the responses that were supplied by the participants, whether or not these individuals were content with the approaches that were suggested by the county governments. (Report compiled and released by the Ministry of Devolution in the year 2010) Both the performance requirements specified in the Kenyan Constitution (2010) and the parameters outlined by the Ministry of Devolution (2010) indicate that county administrations have not achieved the required levels for service delivery.

The Meru County government has taken the initiative to take the lead in the search for viable answers to these enormous fiscal difficulties that have been placed before them. Recent events have culminated in the County Assembly putting forth a resolution to commence the impeachment process against the elected governor of the county barely an year after election. The allegations leveled ranges from governance issues as well as infractions of legislation that control the use of public resources, as stated in an article that appeared in the Daily Nation on December 14, 2022. Because of this, the purpose of this study is to ascertain whether there is a relationship between the financial performance of the Meruvian county government and the financial distress management, budgeting, internal control, financial planning, and county governance practices that the county government uses.

1.2 Statement of the Problem

In Kenya, county administrations are given the job of properly delivering public services and are given monies from the exchequer to do so. This is done in an effort to bring government services closer to the people. County governments, on the other hand, have struggled with a variety of financial issues, particularly in the management

of their current liabilities, which include short-term loan obligations and staff pay. These challenges present themselves in a variety of ways, including regular strikes by healthcare workers, insufficient drainage systems, failing healthcare buildings, and other problems. According to Mbogho (2017), the lack of adequate procedures for financial planning is at the root of the financial issues that county administrations are currently facing. These obstacles not only make it more difficult for them to satisfy the requirements of their people, but they also put a burden on the available public resources. As a consequence of this, people might be forced to adopt extreme actions, which might result in the loss of prospective economic possibilities and obstructions to the advancement of society.

Curiously, despite the existence of well-defined legal rules describing the processes that county governments are required to follow in the process of managing financial hardship, it is still unknown how the approaches that have been applied effect the financial performance of Kenya's counties. Due to the limited amount of study that has been done on this topic, there is a paucity of detailed information concerning the relationship between the various approaches of financial crisis management and the financial performance of Kenyan counties. The little amount of study that has been conducted in this field is mostly to blame for this knowledge gap. As a result, the purpose of this research was to evaluate the association between financial crisis management measures and financial performance, with a particular emphasis on the situation faced by the county government of Meru, which is located in Kenya.

1.3 Purpose of the study

The purpose of this study was to evaluate the impact of financial distress management practices on financial performance of county government of Meru Kenya

1.4 Specific Objectives

The study was guided by the following specific objectives;

- i. To ascertain how budgeting practices impact financial performance in the county government of Meru, Kenya
- ii. To determine the extent to which practices of internal control have impacted on the financial performance of the County Government of Meru, Kenya.
- iii. To assess the impact of financial planning practices on the financial performance of the Meru County Government, Kenya.
- iv. To establish how governance practices impact on the financial performance in County Government of Meru, Kenya.

1.5 Research Questions

- i. How does budgeting procedures impact financial performance in the county government of Meru, Kenya?
- ii. How does internal control practices impact financial performance in County Government of Meru, Kenya?
- iii. How does financial planning practices impact the financial performance in County Government of Meru, Kenya?
- iv. what is the impact of governance practices on the financial performance in County Government of Meru, Kenya?

1.6 Significance of the study

The following stakeholders will have value of this study:

1.6.1 County government

The research findings will help county government management improve the financial situation of the county government.

1.6.2 National government

The findings of this research could be utilized by the federal government to bring attention to the financial challenges that are faced by county governments, challenges which also have a negative impact on the provision of services. It is possible that the study may supply the federal government with information regarding the bad financial management of county governments. It is possible that this will result in the realization of vision 2030 as well as the sustained growth of decentralized institutional structures.

1.6.3 Strategy makers

The findings of this research may be useful to those who make decisions in counties where the resources of the county government are handled with the intention of specifically supporting advocacy for those experiencing financial challenges. Potential policymakers include the Controller of Budgets, the Auditor General, Parliament, the Senate, and the County Assembly when they are serving in their oversight positions.

1.6.4 Scholars

The results of this research have the potential to make important contributions to the body of literature and knowledge that has already been accumulated. As a consequence of this, academics in subjects such as public administration, finance, governance, information technology, law, and human resource management can use the conclusions of the study to broaden the scope of their research and gain a deeper understanding of this particular field. In addition, the results of the study will add to the limited knowledge that is currently available in the field of financial crisis management strategies and the impact on the performance of county governments, thereby enhancing this field of research.

1.7 Scope

This study concentrated on an employee sample consisting of 133 people working for the Meru County Government in Kenya. The majority of these individuals work in the departments of finance, economics, and procurement. The correlation research design that were used in this study investigated the relationship that exists between four approaches to the management of financial distress: budgeting, internal control, financial planning, and governance. The links between these different variables are going to be investigated. The usage of a questionnaire as well as a data sheet was a part of the data collection process. The purpose of this study was to evaluate the economic health of the county over a period of five years, beginning in 2018 and continuing through 2022.

1.8 Limitations

Due to the delicate nature of the subject matter, the research team was prepared for the possibility of encountering obstacles during the data collection process. It is probable that respondents would be reluctant to reveal personal financial information, expressing concerns about the possibility of their data being misutilized or accessed without their permission. The researcher implemented methods to guarantee respondents that their data was treated discreetly and would only be used for academic purposes in order to address these constraints. This transparency was absolutely necessary in order to earn the trust of the participants. In addition, particular protocols were developed in order to guarantee that the gathering of data and its subsequent treatment would comply with stringent ethical standards. The researcher took the initiative to interact with high-ranking county officials in order to secure approval for the research to be carried out within the county. This preventative strategy helped preempt and handle any concerns

connected to data access, so strengthening the integrity of the research process and assuring participants of the legitimacy of the research as well as its academic focus.

1.9 Delimitation of the study

It is vital to understand that the findings of this study, which focuses only on the governments of Meru County, may not be universally relevant to all of Kenya's counties given that the research was only undertaken in that one county. The findings of this study focused entirely on the governments of Meru County. There is a possibility that Meru County's historical context, administrative hierarchy, and economic situations are not similar to those of other counties. Because the research focused on only four specific aspects of financial crisis management practices namely budgeting, internal control, financial planning, and governance it is possible that the analysis did not take into account the complete range of factors that influence financial performance in all of Kenya's counties. These aspects include budgeting, internal control, financial planning, and governance. For this reason, despite the fact that the study has the potential to provide valuable insights into the aforementioned concerns within the context of Meru County, its applicability to the contexts of other counties may be restricted.

1.10 Assumptions of the study

The conclusions of the research that was carried out on the County Government of Meru may serve as a good reference point for other counties in Kenya. This is predicated on the assumption that county governments all across the country encounter comparable financial challenges. The use of questionnaires as the primary technique of data collecting made it simpler to put hypotheses to the test, which contributed to the research project's overall goal of successfully completing its objectives. In addition, the findings of the research were premised on the assumption that the secondary data extracted from the financial records of the county are accurate and trustworthy.

In a nutshell, it is hoped that the respondents would supply information that was honest and frank, which helped paint an accurate picture of the functional characteristics of county governments. This sincerity was crucial in improving the overall validity and reliability of the findings of the research, and it played a function in both of those aspects. The research outcomes were improved as a result of this sincerity.



1.11 Operational Definition of Key Terms

Budgeting Practices: Include budget control measures, budget planning initiatives, and a requirement that revenue be planned prior to expenses.

Financial Distress: In this study, financial distress was defined as a county's inability to pay its financial responsibilities for its day-to-day operations.

Financial planning practices: In the context of this study, financial planning practices refer to strategies employed by corporations to get out of financial trouble.

Governance Practices: The term "county governance practices" in this study will relate to the ways in which county governments implement concepts like responsibility, openness, risk management, and performance management.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter includes the conceptual framework, the theoretical framework, the investigated related literature, and the research gap.

2.1 Theoretical Review

The study's theoretical evaluation includes theories that are fundamentally going to influence the study variables. These include the theories of agency, regulation, and financial crisis.

2.1.1 Agency theory

Agency theory posits that a conflict may arise when managerial staff prioritize personal profit over shareholder value, thereby affecting the company's capital structure management. This concept is rooted in the principal-agent relationship, where one party takes actions to protect another's interests. This connection between managerial behavior and the interests of various stakeholders was articulated by Jensen and Meckling (1976). Additionally, it covered the administration of the organization's capital structure and agency expenses.

The positivist agency and the principal-agent theories are the two key divisions made by the theory's creators. Both have a lot in common because the principle wants to get the most money from their investment, while the agent wants to be paid fairly (Schaltegger & Burritt, 2017). Principal-agent connections can be seen in a variety of contexts, including those between management and shareholders and between managers and their direct reports. The central concern in interactions between principals and agents is the potential for moral hazard, where one party may favor their personal desires over the desires of the other (Schaltegger & Wagner, 2019). This often

manifests when the agent advances their own objectives to the detriment of the principal's interests, a situation commonly referred to as the "agency problem." Information asymmetry, in which one party has knowledge that the other party does not, is one of the causes of this conflict of interests.

Agency theory offers insights into the causes of financial distress within financial institutions. It can elucidate how managers' and directors' (acting as agents) pursuit of self-interest may lead to unfavorable consequences such as high leverage levels, operational inefficiencies due to inadequate management skills, lack of effective control over asset management, and insufficient liquidity management controls.

Kloha, Weissert and Kleine (2015) assert that management's actions include their theft of funds from financial organizations and their potential for making poor decisions about the utilization of both financial and non-financial resources. As a result of this behavior, businesses ultimately suffer from poor financial performance (Muthuva, 2016). The idea is appropriate for this study since it examines how County Governance acts as a conduit for citizens to obtain better county-level services. As a result, there is an agency relationship between the County government and the general public.

2.1.2 Regulation theory

The regulation model, often referred to as the regulation approach, may be traced back to North America and Europe in the 1970s. Verso and Jessop (1976) are credited for popularizing the theory and giving it its current name. The term "regulatory approach" can sometimes be used interchangeably with "regulation theory." The management and control of activities carried out by establishments with the purpose of enhancing the quality of life for members of the general public is the primary goal of this particular school of thought. It illustrates how vital it is to distribute resources in a way that is more favorable to the public interest as opposed to the interests of corporations.

Specifically, it highlights the need of putting the public interest ahead of corporate interests. When it comes to the management of resources in industrialized nations, the efficacy of the system is heavily dependent on a labor force that is not just knowledgeable but also committed to the work that they do. In theory, optimal resource allocation occurs when funds are used in the most operative way conceivable (Arrow, 2015). This is the case when optimal resource allocation occurs.

It is definitely necessary to put in place strategies that will improve the process of resource allocation whenever the very best financial practices that should be followed during the process of resource allocation are not followed. There is no justification for wasting scarce resources by making ineffective use of them (Bator, 2018). One strategy to boost productivity and make certain that existing funds are used in the most operative way possible is for public bodies to carry out the requirements of government legislation.

The application of national legislation to county governments has had a considerable impact, and it has on occasion led to financial crises as a result of the development of competing organizations. This may be traced back to the effects of the Great Depression. The advent of province administration, development committees, and constituency development funds, for example, have all contributed to a decline in the significance of county administrations. In discussions about development and decentralization, each of these elements plays a part in the conversation.

This theory bears a great amount of weight and significance since it provides a complete account of how institutional regulations are produced and how they impact organizational performance. This is one of the reasons why it is so important. It is consistent with the concept of intervening factors, which enables it to make it feasible

to study the effect of the controlling environment on the performance of county governments and their strategies for managing financial challenges.

2.1.3 Financial distress theory

Mueller (1986) was the one who initially proposed the financial distress hypothesis. According to this idea, there are four main categories that can be used to classify a person's state of financial distress: default, failure, insolvency, and performance degradation. Insolvency and default are almost always the result of problems with a organizations liquidity, despite the fact that a organizational total productivity will take a direct hit in the event of its decline or failure. According to this hypothesis, the conclusion of each period might theoretically be either positive, signaling a reversal of the company's downward trajectory, or negative, marking a continued degradation of firm resources, and a transition to the next sub-interval of the financial distress spiral. Either of these outcomes would be consistent with the theory that the company would be able to pull itself out of its downward spiral. (Mueller, 1986) notes that real-world examples of financial crises frequently show that businesses go through each stage of this deteriorating process. According to Opler and Titman (2014), a clear indication of financial hardship in an organization is a considerable fall in both its performance and its valuation.

As the spiral moves from one stage to the next in this part of the overall process, the sharp acceleration of decline happens at the same time, and the duration of each phase becomes much shorter. It is clear that a company's performance downturn can continue much beyond its financial collapse; as a result, this stage of the financial crisis is the less severe one. The length of time that a company is unable to make its debt payments relies on the maturity structure of its debt. Default, on the other hand, is contingent on

the dates of debt maturity and is typically followed by renegotiation and liquidation. Managing financial crises presents a number of challenges, the key one being the early detection of damaging behaviors. This is one of the reasons why there is an increasing need to develop ways to minimize financial hardship (Opler et al., 2016).

Utilizing the theory of financial distress can help our study's dependent variable, which is the financial performance of county governments in relation to financial distress, become more clear. This is because the theory of financial distress was developed specifically for this purpose. This idea is pertinent to our investigation because bad management of financial crises can result in insufficient service delivery, public unhappiness, and county projects that are either stalled or of a lower quality.

2.2 Empirical Literature.

2.2.1 Budgeting Practices and Performance

As Boc (2019) points out, the majority of the research studying the relationship between participatory budgeting and organizational performance has been concentrated in developed countries. This is true despite the fact that a substantial body of research has been undertaken on the subject. The fact that there is a substantial body of research on the topic does not change the reality that this is the case. In order to fill this information vacuum that had been detected, a study was carried out to examine the link between participatory budgeting and the effectiveness of local government in the African nation of Kenya. The aim of the study was to determine whether or not there is a correlation between the two. The research utilized a survey review approach, and there were a total of 44 participants who willingly took part in the survey and consented to be interviewed as part of the study's focus group. The interviews were to be conducted by the researcher. It was also made available to the participants as an option for them to keep their anonymity. The study's conclusions indicate that there is a strong correlation between a company's amount of financial investment and its overall success. Furthermore, the study's conclusions showed that a variety of factors affect the relationship that exists between an organization's success and its involvement in budgeting. These elements consist of the task's intricacy, level of difficulty, and organizational-affective commitment.

Local authorities in Kenya will be supplied with helpful insights as a result of these findings, which shed light on the complex mechanisms at play in the relationship between participatory budgeting and organizational efficiency. Additionally, best practices in this context may be informed.

Agbenyo, Danquah, and Shuangshuang (2018) conducted research with the objective of finding the degree to which effective budgeting influences the level of monetary success enjoyed by industrial companies that are traded on the Ghana Stock Exchange. Specifically, the researchers were interested in determining the extent to which this relationship exists. They employed a quantitative study approach to the issue in order to investigate the use of budgets in non-bank financial institutions as a tool for financial management and to do so, they developed a research methodology.

The primary data for the study was collected by means of questionnaires, and the approach that was used to build the model for the study was one that was both methodical and sequential in its character. Throughout the course of the research, regression methods were utilized to analyze the breadth and nature of the relationship that exists between efficient methods of financial management and the overarching performance of businesses. This was done with the intention of determining whether or not there is a correlation between the two. According to the conclusions of the research, there is a statistically significant association, albeit a modest one, between good budget administration and the successful functioning of a firm. This correlation was shown to exist despite the fact that the correlation was only tiny. The fact that the relationship was moderately strong is evidence that this is the case. The significance of budgeting as a component of financial management for manufacturing enterprises comes clearly from these findings as a source of valuable new insights when evaluated in the context

of the Ghana Stock Exchange. This may be seen as a source of useful new insights because.

Mbugi and Lutego conducted a study in 2022 with the goal of learning how budget management at Dar-Salaam Bank affected the bank's performance. Seventy bank employees made up the sample population, which was analyzed using retrospective and descriptive research methods. All seventy employees were approached as potential research respondents as part of a census sampling strategy necessitated by the small size of the workforce. All of the material gathered, from both primary and secondary sources, was fed into the Statistical Package for the Social Sciences for analysis. When the results of the study were presented to the audience, visual aids such as charts, graphs, and frequency tables were made available to them. The study's findings suggest that accounting practices, zero-based budgeting, and variance cost analysis significantly boosted the bank's efficiency, as well as its ability to manage its budget effectively and make data-driven decisions. Unlike previous research, this one examines the connection between budgeting, budget execution, and the financial problems facing Kenya's county governments. Therefore, it provides a new angle on these interrelated parts and stands out from its contemporaries. Abdi and Mutswenje (2023) conducted a study to examine the connection between manufacturing firms' budgeting practices and their financial results on the Nairobi Securities Exchange in Kenya. When looking into businesses in the Nairobi Area, the researchers used a cross-sectional analytic strategy. We used both primary and secondary resources to gather information on 18 separate public corporations. A survey instrument was created by analyzing the relationship between dependent and independent variables using statistical software designed for the social sciences. The study discovered that manufacturing

organizations' financial performance significantly improved when they used a budget, particularly when it came to the return on assets (ROA).

The research showed that improving organizational capability, ranking programs and processes, and conducting thorough evaluation were all crucial to effectively implementing budgets. Involving stakeholders was also highlighted as a way to boost the budgeting process's overall efficiency. These results shed new light on the importance of budgeting for financial performance in Nairobi Securities Exchange-listed industrial enterprises.

Wanjohi (2021) sought to determine whether or not there was a correlation between the financial openness of NGOs in Nairobi County and their ability to remain operational over the long run. The information was collected from thirty different non-governmental organizations (NGOs) with headquarters in Nairobi. These NGOs were established both locally and abroad. Most of the data for the study was collected through the use of questionnaires, and it was then evaluated through the application of descriptive statistics that were generated in SPSS version 17.0. In order to evaluate the link between financial openness and the continued existence of non-governmental groups over the long term, the research utilized correlation and regression analysis. According to estimations based on the square root of the correlation, the presence of strong financial controls was responsible for approximately 14.3% of the variation in the performance of NGOs in Kenya.

According to the findings of the study, it would be beneficial to make employees more aware of the influence that financial constraints have on productivity. It was proposed that, in addition to monetary constraints, other factors that affect efficiency be investigated. It was also proposed that additional research along these lines be carried out, maybe with a bigger pool of participants to draw from, in order to get a deeper

comprehension of the function that fiscal responsibility and long-term viability play in non-governmental organizations.

2.2.2 Internal Control Practices and Performance

According to Brennan and Solomon (2018), the techniques of internal control cover the policies and processes that organizations implement in order to align their goals, missions, and objectives with those of the company. According to Ahmed and Nganga (2019), the purpose of these policies and procedures is to secure the organization's assets, comply with established rules and regulations, and make reliable reporting easier in order to ensure that the business is operated in an efficient and effective manner. Internal control processes include procedures for managing incoming cash, carrying out internal audits, and keeping records of inventory. In addition to this, they encompass the communication procedures used both inside and outside of the company.

Al Matari and Mgammal (2019) carried out a study within the framework of corporate governance policies and the overall performance of publicly traded firms in Saudi Arabia. The purpose of this study was to discover whether or not shareholder companies' adherence to internal control requirements affects their bottom lines, and if so, how. Earnings per share (EPS), return on assets (ROA), and return on equity (ROE) were some of the primary performance criteria that were utilized in the process of assessing the companies' respective levels of financial health.

The core data was gathered using questionnaires, and several hypotheses were analyzed using statistical techniques including multiple regression analysis and the T-test to determine whether or not there was compliance. The study's findings showed that each facet of internal control that was looked at had an impact on compliance. Conformity and ROA and ROE showed a favorable link, however it was not

statistically important. However, although there was a positive association, it was not statistically noteworthy between EPS and compliance.

According to the findings, the management and leadership of corporations should conduct an investigation of the effectiveness of the internal control techniques that they have in place, giving particular attention to the manner in which they manage monitoring, assessment, information exchange, and control. This study expands our understanding of publicly traded firms in Saudi Arabia by shining light on the role that internal control and compliance play in efficient corporate governance. As a result, this study contributes to our knowledge of business in Saudi Arabia.

Research undertaken by Akinleye and Kolawole (2020) on the effect that internal controls have on the performance of several tertiary institutions in Ekiti State, Nigeria. The primary objective of their study was to gain an insight of the procedures that were employed to implement internal control systems in the aforementioned institutions. The research made use of a survey method to collect data, and the respondents were chosen using a stratified sampling strategy.

In a study by Al Matari and Mgammal (2019) utilized inferential statistical method to know the nature of the link between the study variables. These methods included regression analysis and correlation study. The display of data in descriptive statistics was typically accomplished through the use of bar charts and frequency tables. The outcome of the research indicate that the company's finance and accounting operations are kept clearly distinct from one another, and that the company's upper management keeps a careful eye on staff performance. Additionally, a third-party auditor reviewed the company's financial statements each year as part of the annual audit process. The most significant finding was that a positive correlation existed between the existence of

internal controls and the efficiency of the institution. This lends credence to the notion that effective internal controls can contribute to increased levels of productivity and leadership within an organization.

A study was carried out in the coastal region of Kenya by Ahmed and Nganga (2019) with the purpose of determining how the incorporation of internal control systems influences the financial performance of county governments. The evaluation of the cash management, auditing duties, and risk management methods of county governments was the focus of this research. In the investigations, various theoretical frameworks such as agency theory, attribution theory, and procedural theory were utilized. For the purpose of the study, thirty individuals who were working for the ministries of finance, budget, or planning in some capacity each volunteered their time and participation. A census was completed by forty individuals, each of whom was responsible for filling out their own questionnaires.

Both descriptive and inferential statistics were applied during the data analysis procedure. It was found that a company's degree of financial success was positively and statistically significantly correlated with cash flow management, auditing responsibilities, and risk reduction. By emphasizing the need of strong internal control systems in improving the financial performance of county governments, this study offers insightful information for regional governance and fiscal management. These observations stem from the study's emphasis on the function of efficient internal control systems.

The key internal control activities that Ahmed and Nganga (2019) investigated in relation to the financial performance of county governments were cash management, auditing responsibilities, and risk management. This study does not cover a number of

significant internal financial procedures, such as monitoring and assessment, information and communication, and control operations. These are all very important aspects of a company's financial operations. More research needs to be done if we are going to get a better understanding of how the performance of county governments and their financial difficulties are affected by these other elements. Research that covers a wider range of internal control mechanisms may provide insight on the complex relationship that exists between these characteristics and the ability of county governments to effectively rule over their constituents. We might be able to construct a more comprehensive and nuanced understanding of the subject at hand if we adopt this more expansive perspective.

2.2.3 Fiscal Planning and Performance

Sound financial management is of the utmost significance, regardless of whether the organization in question is in the public or private sector, in terms of the long-term viability and effectiveness of an institution's administration. This is true even if the institution in question is in the private sector. The management of both short-term and long-term financial affairs is included under its purview as part of its scope. (From Simon, 2021) A component of the process of managing finances for the short term is the handling of items like working capital, which involves the administration of accounts receivable, inventories, and cash. On the other hand, according to the definition offered by Zitlow, Hankin, Seidner, and O'Brien (2018), long-term financial management is the process of making decisions that will have repercussions that will continue for at least one year into the future.

According to Ouachani, Belhassine, and Kammoun (2021), the strategies for financial planning include the preparation of plans for the future of an organization in order to ensure a healthy cash flow. This is done in order to safeguard the organization's

financial stability. Financial management encompasses a number of subfields, including but not limited to the following: planning, coordinating, and controlling the financial activities of an organization, as well as managing those activities. Among these operations are the procurement of funds and the spending of these funds. When considered from the standpoint of an organization, financial management encompasses not just financial planning but also financial control as one of its primary responsibilities. The major objectives of financial planning are to devise a plan for allocating monetary resources and to conduct an analysis of the plethora of available options for meeting one's various financing needs.

Ali and Mehreen (2020) focused their research on the subject of how resource mobilization management methods impacted the overall performance of Pakistani banks and their ability to remain operational over the long term. Specifically, they were interested in how these strategies impacted the ability of Pakistani banks to remain open. As its core demographic of interest, the inquiry concentrated on the involvement of managers at all levels of Lahore's many banking institutions as its key target population. According to the findings, the process of resource mobilization is a crucial component in the implementation of management and sustainability strategies for financial institutions like banks. Examples of such organizations include insurance companies and pension funds. The gathering of resources to secure the continued operation of banks was a huge boon to the process of financial planning, which it helped to improve significantly as a result. The efficiency of Kenya's county administrations and their capacity to accumulate financial resources will be the key foci of this research project's investigation.

Ngugi (2021) conducted research on Kenyan manufacturing companies with the intention of evaluating whether or not there was a correlation between the prevalence of

financial challenges and the availability of financial information. In the study, a correlational approach was taken to research in order to investigate all nine of the companies that trade on the Nairobi Stock Exchange. A nationwide census was the method of sampling that was utilized. In order to compile the necessary information, we utilized a document check index tool in addition to secondary data collection strategies. Tables and graphs from the research project comprised both descriptive and inferential information, and Microsoft Excel and SPSS were applied for the analysis of the collected data. According to the outcomes, the prevalence of financial difficulties was significantly higher in the industrial sector, which had a lower level of transparency about both financial and non-financial matters. Not only was the link between the two robust, but it was also at an extremely advantageous position. The findings of the study emphasize the necessity for increased financial transparency on the side of businesses in order to decrease the risk of suffering substantial financial issues. This can be accomplished by increasing the amount of information that is publicly available regarding a company's finances. In addition, it highlights the importance of conducting additional research on the subject, with a particular focus on the monetary difficulties experienced by the governments of Kenya's county governments, given that the prior study was primarily concerned with manufacturing establishments.

2.2.4 Governance Practices and Performance

According to Van Greuning and Bratanovic (2020), governance practices are defined as the procedures, guiding principles, and organizational frameworks that businesses, governments, and other types of entities employ in order to formulate policies, reach decisions, and manage their operations in a way that is both effective and accountable. It doesn't matter what kind of company you run or how big it is: adhering to these

standards is absolutely necessary in order to keep openness, accountability, and efficiency at their highest levels. The principles of good governance show a vital role in the long-term survival and viability of a company because they encourage ethical behavior among the numerous stakeholders and increase the levels of trust existing between those stakeholders.

Manzaneque et al., (2016) conducted a study with the major focus on investigating the association between the possibility for financial hardship and the corporate governance procedures of Spanish public enterprises. This study was published in Spanish. The researchers wanted to establish whether or not there was a connection between these two aspects of the situation. The research was conducted from 2007 to 2012 and utilized a survey methodology that had matched pairs, which led to a total of 308 observations being collected throughout that time period. The main focus of the research was on companies that are traded on the Spanish stock exchange, and the results were broken down according to whether or not the company is doing well financially.

Conditional logistic models were utilized in order to evaluate the potential correlations by evaluating specific study factors such as accountability and transparency. The findings suggested that there is a favorable connection between the accountability and openness of a company's management and the financial performance of a business. As a consequence of this, the research recommends that organizations should continue their commitment to transparency and continue providing accounts for all resources, both financial and non-financial, that fall under their jurisdiction. Even though the study was carried out in a rich country, the results highlight the importance of carrying out research of a similar nature in less developed nations. In light of the prior, it is self-evident that the accountability processes utilized by county governments ought to be

the topic of exhaustive research for the objectives of the present investigation. This research has the potential to shed insight on the impact of accountability on the financial performance of less developed regions and contribute to our understanding of governance methods in contexts similar to these ones.

Shahwan (2015) conducted a study of Egyptian companies in order to analyze the effectiveness of corporate governance procedures within a sample of Egyptian businesses. The resolve of this survey was to determine the level of financial hardship and overall performance that exists in Egypt. The research concentrated on a number of Egyptian businesses and utilized a criterion referred to as the Corporate Governance Index (CGI) in order to accomplish so. The CGI took into account several different aspects of corporate governance, including disclosure policies, the composition of boards, shareholder protections, investor ownership, and the possibility of conflicts of interest. The sample for the study was comprised of 86 different companies that were all registered with the Egyptian stock exchange, with the exception of banking organizations. In order to determine whether or not a company was experiencing financial difficulties, the Altman Z-score was utilized, while Tobin's Q was employed to assess the efficiency of the organization.

The outcome of this study indicate that the standards of corporate governance implemented by Egyptian-listed companies are, on the whole, of a poor quality, and there is no correlation amid the adoption of such policies and the level of financial success experienced by the companies. In addition, the study came up empty-handed in its search for a connection between these traditions and Egypt's political climate. The research did not establish a direct causative association between the financial crisis and bad corporate governance; nevertheless, it did expose that there is a significant inverse relationship between the two. The outcome offer support to the hypothesis that the

singular characteristics of an individual company can have a significant impact on the efficiency with which it conducts its business as well as the likelihood that it would run into financial troubles.

Ezejiolor and Okerekeoti (2021) conducted study not too long ago that investigated the effect that corporate governance has on the profitability of Nigeria's publicly traded banking institutions. The writers focused their attention in particular on the market in Nigeria. Their primary emphasis was placed on the association between effective management techniques and favorable financial consequences for companies. This study found a correlation between larger boards of directors at Nigeria's deposit money banks and higher levels of profitability. The secondary data for this investigation came from the annual reports of these various financial organizations. It was found that greater board size deposit money institutions had a far stronger correlation with the variable in question. The research was carried out in Nigeria; nevertheless, it is important to perform a comparison study in Kenya in order to acquire a better knowledge of this occurrence. There may be differences on the other side of the border that Nigeria and Kenya share.

In a separate but related study, Muteti (2021) investigated how various aspects of corporate governance influence the effective tax rates of companies that are listed on the Nairobi Securities Exchange (NSE) in Kenya. These companies are located in Kenya. Only companies having roots in Kenya were considered for inclusion in the research. The research utilized a descriptive approach, and it broadened its scope to incorporate 63 publicly traded companies all the way through the end of the year 2020. In order to verify that the results were accurate, a thorough population survey methodology was utilized, even though the fact that there was not a very large number of participants. According to the outcome of the study, there is a meaningful link

between management ownership and the effective tax rates of publicly traded companies, and this link is both positive and statistically significant. The fact that this correlation is statistically significant adds even more weight to the importance of it.

2.3 Conceptual framework

Methods of budgeting, internal controls, financial planning, governance, and legal requirements are only few of the independent factors that are considered within the scope of this research. This research focused on the accomplishments of the county government, hence its performance served as the dependent variable. It was rated based on how well it serves the public, how effectively the public responds to the services that it provides, and how effectively development initiatives are completed.

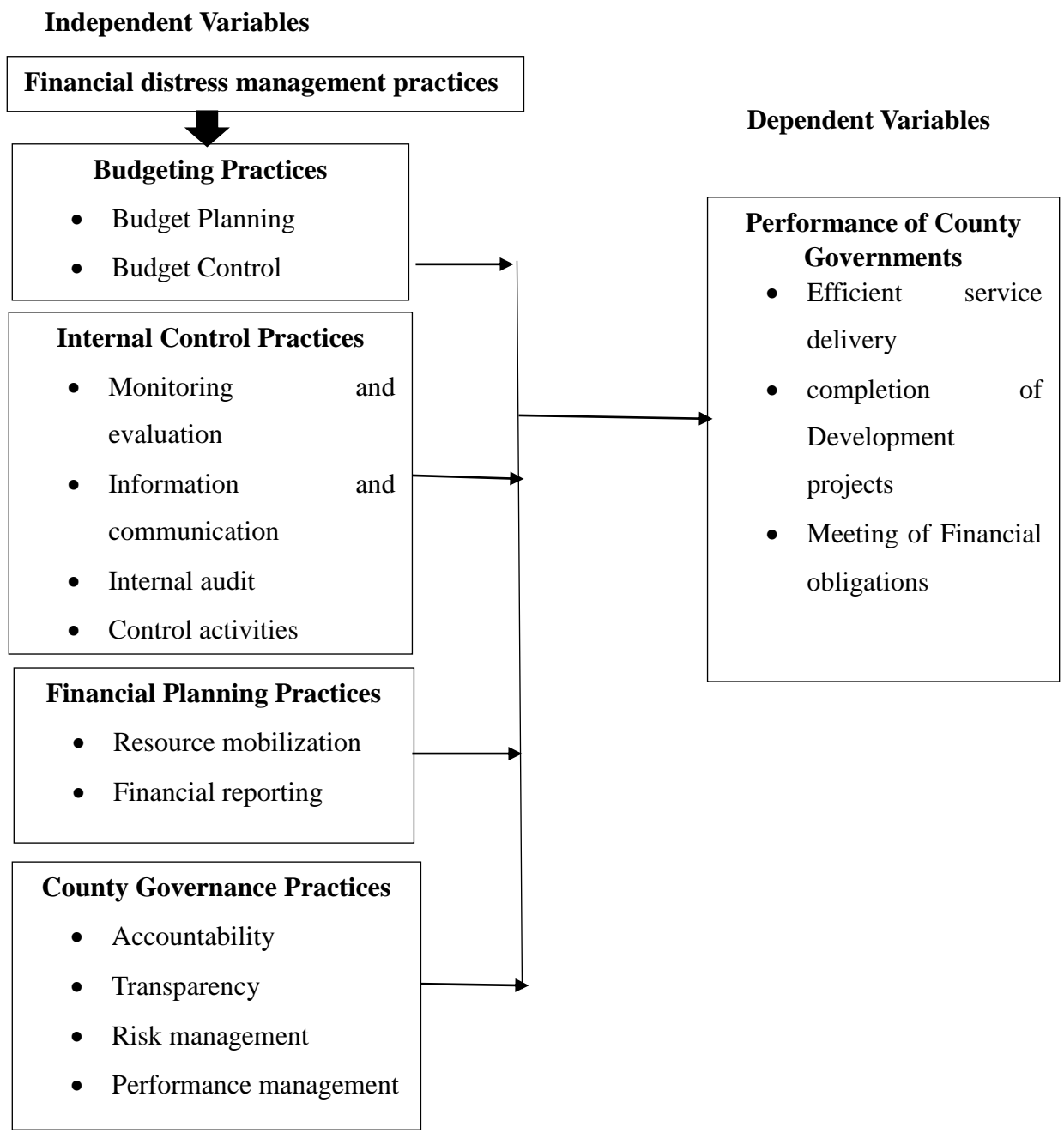


Figure 1: Conceptual Framework

Source: Researcher (2024)

Budgeting procedures, financial planning procedures, county governance procedures, and internal control procedures were all looked at to determine how well the county government is performing. In order to organize and organize the use of limited financial resources in accomplishing the objectives of the County Integrated Development Plans, budgeting processes were employed in this study. One essential instrument for regulating the application of policies and fostering their advancement is the county budget. It states that policies and projects, keeping in mind the organization's limited financial resources, should be fervently pursued, focused on, or abandoned during the review phase. The preservation of financial discipline, effective resource allocation, and operational or technological productivity are the three key goals that must be achieved by an effective budgeting system (Obwaya, 2017).

Financial planning techniques assist county governments in both short- and long-term financial management. When appropriate procedures for financial planning are followed, the county government will function well and have the financial means to provide inhabitants with services that are both efficient and effective. Procedures for county governance ensure that all stakeholders' interests are taken into account. This would enhance the financial performance of the county government by encouraging transparency and accountability in county administration. Efficient county government leads to the timely completion of tasks and the creation of excellent work.

Internal control procedures are a measure implemented by the county government to fulfill its goals, purposes, and objectives. Internal control procedures guarantee accurate reporting from county government in order to accomplish efficient and successful operation management. Internal control procedures that are appropriate and well-implemented by the county government guarantee that the latter will fulfill its financial commitments, leading to public satisfaction.

2.4 Recap of literature review

Researchers have invested a large amount of time and effort over the course of the past few decades in order to investigate the factors that lead to financial crises in businesses as well as the potential remedies to these crises. The conclusions of these researches are in direct opposition to one another, which suggests that additional research should be conducted. Previous investigations, such as those conducted by Aminu and Mohamed Kerosi and Tirimba (2016) as well as those conducted by Shuja and Abbasi (2015), primarily focused on banks as their target industry in order to get the most relevant data possible. On the other hand, the focus of this study was placed squarely on Kenya's numerous county governments in particular. Due to the fact that this study utilized primary and secondary sources of information, it is essential to analyze county governments in an all-encompassing approach. In contrast to other research, such as Mukaba (2016) and Shuja and Abbasi (2015), which relied on methods for collecting secondary data, this investigation used both primary and secondary sources of information.

Shahwan (2015), Ndibe, Abdulazeez, and Mercy (2016), and Abdulahi (2017) all conducted research on county governance practices and financial performance, however the majority of their attention was directed on publicly traded firms as their objects of investigation. Shahwan (2015). Ndibe, Abdulazeez, and Mercy (2016). Abdulahi (2017). Several of these investigations, including the one that was carried out by Abdulahi (2017), made use of descriptive study designs. The present examination, on the other hand, focused on Kenya's county administrations and employed a correlational research approach to its investigation. In contrast to Al-Thuneibat, Al-Rehaily, and Basodan (2015), who conducted research on shareholding corporations, the emphasis of this investigation was placed on the many county administrations that

are found in Kenya. In contrast to the correlational research design that would be employed in the upcoming study, Tinega (2014) chose to conduct their research using a cross-sectional survey design for their investigation. As a consequence of this, carrying out additional research in this field is essential if we wish to properly solve the existing research and knowledge gaps.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers a variety of topics, including research design, demographics, sites, sampling strategies, data gathering methods, analysis methodologies, and ethical considerations. All of these elements have a big impact on the research strategy, which guarantees a method that is both comprehensive and ethically sound when it comes to the study.

3.2 Research Design

In order to facilitate deductive reasoning regarding the subject under investigation, a research design is crucial to any academic inquiry since it allows the researcher to build a hypothetical connection between preexisting ideas and the study's research variables. In this study, a correlational survey design was used. Information was gathered and the nature of the link between the numerous variables under inquiry was ascertained using this specific design (Scholar, 2013). Additionally, the design was judged appropriate since it helped describe the existing situation with reference to the topics under investigation. It will serve as the basis for gathering information about financial crisis management strategies and how they affect the operation of the Meru County Government.

3.3 Location of the Study

The study was predicated on the concept that the geographic position of the county gives it a competitive edge in revenue collection due to the good climatic conditions for agricultural activities. This hypothesis serves as the study's central organizing principle. The research was carried out within the County Government of Meru, which is located

in Kenya. Nevertheless, according to the report of the auditor, the County has also been facing some financial difficulties. In the months that followed the County's election of its governor in December 2022, the County was the first to bring up problems regarding governance to the attention of its governor.

3.4 Target Population

According to Kothari (2019), a target population is any collection of people, things, or events that have a particular observable trait. 69 Meru County government officials were the subject of the study, with a focus on the County Executive Committee members, finance officers, chief officers, and county accountants from the county's finance, economic planning, and procurement departments.

Table 1: Target Population

	County Department	Target population	percent
1	County executive committee	13	18.8
2	Finance officers	13	18.8
3	Accountants	17	24.7
4	Chief officers	26	37.7
	Total	69	100

Source: County Government HRM (2022)

3.5 Sample Size and Sampling Procedures

The census method was utilized in the research project, which included as its primary unit of analysis public servants working for the County Government of Meru in Kenya. Because there were only 69 people in the population, employing particular sample designs and methods was unfeasible. The researcher chose to conduct the study using a census methodology given that the goal of the study was to include all of the target population. Censuses are unique in that they are able to analyze niche demographic

groups and collect information from specific geographical locations. This sets them apart from other types of population counts.

Orodho (2019) provides evidence that supports the use of the census methodology. Orodho underlines that a census makes it possible to acquire accurate information that accurately represents the perspectives of the entire population that is being investigated on a particular problem. According to Field (2016), the findings that are received from a census are more likely to be accurate and dependable when compared to the findings that are gained from a population sample. As a consequence of this, the generalizability of the research findings is improved when the census method is utilized. As a result, the sample size was stratified as per Table 2.

Table 2: Sample Size

	County Department	Target population	percent
1	County executive committee	13	18.8
2	Finance officers	13	18.8
3	Accountants	17	24.7
4	Chief officers	26	37.7
	Total	69	100

Source: Researcher (2024)

3.6 Data Collection Instruments

Various methods were utilized for data collection, including both primary and secondary approaches. Primary data was gathered through the use of a questionnaire, while secondary data was extracted from the financial statements (including balance sheets and income statements) of Meru county government spanning from 2018 to 2022. The questionnaire utilized a structured format with closed-ended questions, facilitating the acquisition of quantifiable data suitable for both descriptive and

inferential statistical analysis. The survey was divided into two parts: the first, which is referred to as Section A, collected information about the demographics of the respondents, and the second, which is referred to as Section B, asked questions regarding the variables of the study, as outlined in the conceptual framework. Respondents were asked to rate their agreement with statements using a Likert scale, where values ranged from 1 to 5, with 5 indicating "Strongly Agree," 4 for "Agree," 3 for "Neutral," 2 for "Disagree," and 1 for "Strongly Disagree."

3.6 Validity and Reliability of The Study

3.6.1 Validity of the instrument

Validity indicates a clear indication of how well the items being measured are actually measured (Mugenda and Mugenda, 2003). It involves an assessment to ensure that the instrument used in research adequately addresses all the research questions (Kothari, 2019). In this study, subject matter experts were consulted to ensure the content validity. The researcher engaged in discussions with supervisors and experts regarding both the content and format of the questionnaire, drawing on their previous experiences in data collection. This process aims to enhance clarity in responses and eliminate or rectify any ambiguous elements in the questionnaire through the execution of a pilot study.

3.6.2 Reliability of the Instrument

Reliability, according to Oso and Onen (2008), is the capacity of an instrument to consistently yield results that are comparable when applied to the same task. The study's instrument's reliability was evaluated through the application of Cronbach's alpha coefficient. Pilot research was carried out in Embu County to ascertain dependability. It involved randomly assigning seven questionnaires, or 10% of the sample size, to respondents from different parts. This pilot study helped to improve the

research tool and avoided wasting money on a large-scale investigation that would not produce useful results.

As stated by Bujang and Omar (2018), a coefficient of 0.7 or higher indicates that the instrument is reliable and suitable for use. The study found a Cronbach coefficient of Budgeting, Internal Control, Financial Planning, Governance Practices and Financial Performance at 0.818, 0.921, 0.789, 0.856 and 0.8652 respectively which was deemed adequate. Cronbach's alpha was chosen as the tool to assess reliability for this study due to its widespread use in measuring internal consistency in social research.

3.7 Data Collection Procedures.

If a researcher at Mount Kenya University has already had their research proposal approved at the department level, they are eligible to get an introduction letter from the university's Directorate of Postgraduate Studies. This letter serves as the official application for permission of the proposed research that is submitted to the National Commission for Science, Technology, and Innovation. After obtaining the necessary permissions for data collection, the researcher organized a meeting at the Meru county government building with the relevant departments in order to distribute questionnaires. This took place after the researcher had obtained the necessary clearances. As soon as we were granted authorization to collect data, we went right to work on it. Every participant in the research project was asked to complete out their very own customized questionnaire, which was then sent to the investigator. The researcher made a concerted effort to ensure that all questionnaires were completed and submitted back in the manner specified, so ensuring a high percentage of responses. The researcher incorporated drop-and-pick into the process of data gathering that they used. The questionnaires were first distributed to the participants, who were then asked to return them so that the answers may be compiled.

3.8 Data Analysis and Presentation

After all of the data has been gathered, the questionnaire went through a meticulous cleaning process to make sure that the only questions that can be used for analysis are those that satisfy the requirements set forth by the researcher. The Statistical Package for the Social Sciences (SPSS) was made easier to use by assigning one-of-a-kind number codes to the data that was collected. These codes will vary in accordance with the classes and categories that are chosen. For the purpose of analyzing quantitative data, the most widely used program is SPSS due to the fact that it is also very simple to operate.

The researcher used descriptive statistics to provide an overview of the most important takeaways from the study. Tables based on frequency and percentage were utilized in order to present the data. In addition, inferential statistics were utilized in order to analyze the interrelationships that exist between the variables. The models of multiple regression analysis were utilized for this purpose because of the value that these models provide in establishing the interrelationships between the variables. The regression model that was applied to this inquiry may be found as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

Y = financial Performance of County Government of Meru.

β_0 = Constant Term

$\beta_1, \beta_2, \beta_3$ and β_4 = are the regression coefficients established to indicate the

Magnitude of the relationship of independent variables on the dependent variables.

X_1 = budgeting practices,

X_2 = internal control practices

X_3 = Financial planning practices

X_4 = County governance Practices

ε = Error term

3.9 Ethical Considerations

Before beginning the data collection process, the researcher ensured that all necessary permissions have been obtained. In addition to the permits that are granted by the Directorate of Postgraduate Studies, a letter of introduction was provided to participants to assist them in navigating the Commission for Science, Technology, and Innovation (NACOSTI) in order to get the essential data collection permit.

During the process of data collection, the researcher adhered scrupulously to all ethical requirements. This requires taking steps to ensure the privacy of the data that was obtained, such as obtaining the participants' informed consent before collecting the data. The fact that participation in the study is entirely voluntary was made abundantly known to the participants, as would the fact that they are free to withdraw from the study at any time and do not need to provide any justification. At all times, it is our policy to protect the confidentiality of the information that our responders provide as well as their right to remain anonymous.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

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

4.2 Response Rate

Sixty-three of the 69 questionnaires that were given to the participants were filled out and returned, meaning that 91.3% of them were answered. A response rate of 70% or more is regarded as optimum for research purposes and for drawing conclusions and suggestions based on the study's findings, according to the guidelines presented by Mugenda & Mugenda (2009). The researcher was able to proceed with the analysis because this response rate was sufficient.

Table 3: Response rate

		Number of questionnaires	Percent
Valid	Issued Questionnaires	69	100.0
	Returned Questionnaires	63	93.1
	Unreturned Questionnaires	6	6.9

Source: Researcher (2024)

4.3 Reliability Analysis

Seven respondents were selected at random from the Finance and Economic Planning department of the executive county of Tharaka Nithi to receive questionnaires for the pilot project. The subjects of the pilot study were excluded from the larger investigation. This was done in order to evaluate the instrument's dependability as a means of gathering data. The Cronbach Alpha of each variable that comprised a scale in the research was determined. An internal consistency metric of 0.70, or Cronbach Alpha, was used to assess the study instrument's reliability.

The results are displayed in Table 4.

Table 4: Pilot Test Results

Variables	Cronbach's Alpha (α)	No. of Items	Remarks
Budgeting Practices	0.818	8	Good
Internal Control Practices	0.921	5	Excellent
Financial Planning Practices	0.789	5	Acceptable
Governance Practices	0.811	5	Good
Financial Performance	0.856	5	Good

Source: Researcher (2024)

Based on the outcomes in Table 4, five variables were considered in total. The study's variables did not need to be edited because all of the variables' Cronbach's Alpha values were higher than the threshold value of 0.7, proving the reliability of the research instrument. The results were supported bin Habidin *et al.*, (2021), who asserted that a Cronbach's Coefficient Alpha of 0.7 and above confirms that the research instrument is reliable to move forward with research thus the instrument was reliable.

4.4 Demographic Information

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

4.4.1 Gender of the Respondents

This has been summarized in Table 5.

Table 5: Gender of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	52.4	52.4	52.4
	Female	30	47.6	47.6	100.0
	Total	63	100.0	100.0	

Source: Researcher (2024)

Table 5 show that there were more male respondents than female respondents. The respondents' gender distribution showed that 52.4 percent of them were male and 47.6 percent were female. According to the findings, respondents from both gender categories expressed opinions on effect of financial distress on performance of the Meru County government. The actual results are therefore ascribed to both genders.

4.4.2 Age

The study participants revealed their age bracket as shown in Figure 2.

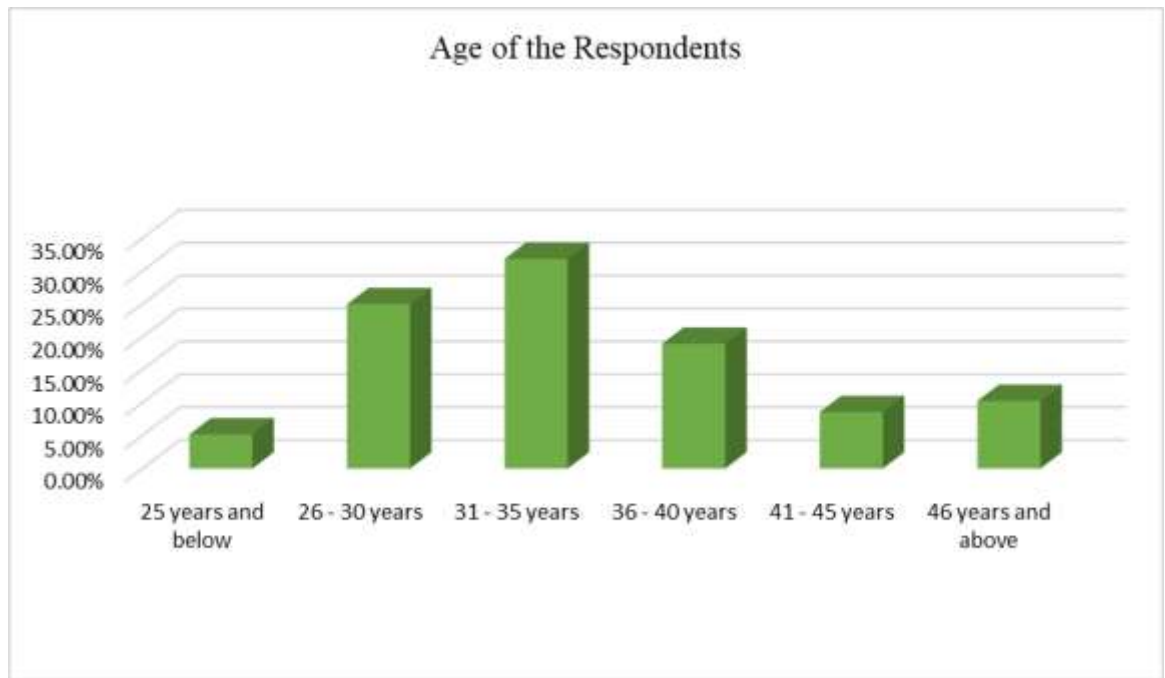


Figure 2: Age of the Respondents

Source: Researcher (2024)

Seven respondents were selected at random from the Finance and Economic Planning department of the executive county of Tharaka Nithi to receive questionnaires for the pilot project. The subjects of the pilot study were excluded from the larger investigation. This was done in order to evaluate the instrument's dependability as a means of gathering data. The Cronbach Alpha of each variable that comprised a scale in the research was determined. An internal consistency metric of 0.70, or Cronbach Alpha, was used to assess the study instrument's reliability.

4.4.3 Work Experience at the County Government

The summary results were presented in Table 6.

Table 6: Work Experience of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 - 1 year	5	7.9	7.9	7.9
	2 - 4 years	13	20.6	20.6	28.5
	5 - 7 years	3	4.8	4.8	33.3
	8 - 10 years	25	39.7	39.7	73.0
	Above 10 years	17	27.0	27.0	100.0
	Total	63	100.0	100.0	

Source: Researcher (2024)

According to Table 6, the majority of respondents—39.7%—had worked for the county government for eight to ten years, followed by those who had worked for more than ten years—27.0% and those who had worked for two to four years. The survey also showed that 4.8% of respondents had worked for the county government for a duration of five to seven years, while 7.9% of respondents had worked for the county government for one year or less. These results demonstrate that the majority of respondents had been employed by the county for a sufficient amount of time to be familiar with the research variables.

4.4.4 Level of Academic Qualifications

The respondents were requested to indicate their highest education level. The results on were presented in Table 7, which were summarized in frequency and percentage.

Table 7: Level of Academic Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	1	1.6	1.6	1.6
	Diploma	14	22.2	22.2	23.8
	Bachelor's Degree	41	65.1	65.1	88.9
	Postgraduate Degree	7	11.1	11.1	100.0
	Total	63	100.0	100.0	

Source: Researcher (2024)

According to Table 7's findings on academic qualifications, the majority of respondents—65.1%—said that their highest academic level was a bachelor's degree. In contrast, 22.1% of respondents said that their highest academic level was a diploma, and 11.1% said they were either pursuing or had already completed postgraduate studies in various programs. Out of all the respondents, 1.6% had only one respondent who stated that their greatest degree of education was a certificate. These results suggest that the information acquired can be trusted since the respondents were better positioned to comprehend the content of the research variables that were presented to them.

4.5 Descriptive Statistics

The study employed descriptive statistical methods to analyze the data collected. The subsequent sections outline the key results, expressed through measures of central tendency and dispersion. These findings are then interpreted and contextualized within

the existing body of relevant literature. The organization of the following sections aligns with the variables under investigation in this research.

4.4.1 Budgeting Practices

Finding out how budgeting procedures affect the financial performance of the county government in Meru, Kenya, was the study's primary goal. Table 8 presents a descriptive examination of the impact of budgeting practices on the performance of Meru's county governments.

Table 8: Descriptive Results on Budgeting practices

Statements	N	Min	Max	Mean	Std. Deviation
A participatory process involving multiple stakeholders is involved in the production of important planning documents, including the County Fiscal Strategy Paper (CFSP), Annual Development Plan (ADP), County Integrated Development Plan (CIDP), and the Budget.	63	1	3	1.83	1.004
The county's financial plan, embodied in the budget, is intrinsically linked to the ADP and the overarching CIDP.	63	1	5	3.07	0.989
At the departmental level, budgetary allocations are oriented towards fulfilling the objectives outlined in the ADP and CIDP.	63	1	4	2.78	1.115
Within the county, expenditures are undertaken strictly in accordance with the approved budgetary provisions.	63	1	5	3.92	1.212
What is budgeted for is paid for in my department.	63	1	5	1.86	0.898
The county receives disbursements of	63	1	5	1.54	0.997

allocated funds in a timely manner					
The budgeting strategy necessitates a comprehensive assessment of the financial landscape, encompassing revenue projections, expenditure estimates, debt status analysis, and an evaluation of fiscal sustainability.	63	1	5	2.18	0.904
The county government conducts regular budget variance reviews, both monthly and annually, to monitor and evaluate budgetary performance.	63	1	5	3.87	1.070
Valid N (LISTWISE)	63				

Source: Researcher (2024)

Table 8 shows that respondents disagreed that the formulation of key planning documents, such as the CIDP, ADP, CFSP, and the Budget, involves a consultative process engaging various stakeholders as supported by a mean of 1.83 and a standard deviation of 1.004. Respondents were not sure whether county's financial plan, embodied in the budget, is intrinsically linked to the ADP and the overarching CIDP (Mean=3.07, SD=0.989) and not sure whether at the departmental level, budgetary allocations are oriented towards fulfilling the objectives outlined in the ADP and CIDP (Mean=2.78, SD=1.115). It has, however, been demonstrated that the county budget is enforced as approved by the Assembly (Mean=3.92, SD=1.212).

Further, it was found that department are not allocated what is budgeted for (mean=1.86, SD=0.898). Additionally, respondents disagreed with the construct that county receives disbursements of allocated funds in a timely manner (Mean=1.54, SD=0.997). The study showed that respondents were neutral on whether budgeting strategy necessitates a comprehensive assessment of the financial landscape, encompassing revenue projections, expenditure estimates, debt status analysis, and an

evaluation of fiscal sustainability (Mean=2.18, SD=0.904). The respondents (Mean=3.87, SD=1.070) confirmed that the county administration examines budget discrepancies on a yearly and frequent basis. The results of the study typically show that there is a delay in the distribution of resources, which has an impact on how the county departments operate and ultimately results in subpar performance.

In order to improve the efficiency of the county government, the research results looked for additional ways to improve budgeting practices. The respondents indicated in their responses that there is a need to increase financial transparency and preparation, and that county assemblies and leaders should involve all stakeholders in the preparation process by reporting at the county level. The budget projections, which contain estimates of revenue and expenses and also comply with the Public Financial Management Act of 2012, were proposed by respondents as being closely followed.

The respondents recommended that the revenue mechanisms should be totally automated. They also thought that the government institutions that had been devolved would offer more training to improve the knowledge and abilities of different county officials, which would enable improved service delivery. The study supports the conclusions of Kimani (2015), who found that many firms disregarded their budgeting procedures. Over 56% of business owners handled their own accounts, and about 70% of entrepreneurs kept their excess cash. According to the study, more than 80% of businesses have created a business plan, mostly in order to obtain capital. Based on these observations, it was determined that the proper implementation of structured budgeting methods is critical to the long-term survival of organizations in the public and private sectors.

4.4.2 Internal Control Practices and Performance

The goal of the study was to ascertain how much the internal control procedures and policies affected the financial performance attained by the Kenyan County Government of Meru. The standard deviation and mean are used to present the results. Table 9 displayed the findings.

Table 9: Descriptive Results on Internal Control Practices

Statements	N	Min	Max	Mean	Std. Deviation
The county's administration has implemented regular and recurring assessment and review initiatives.	63	1	5	3.32	0.851
Clear lines of communication have been established by the county government.	63	1	5	3.43	0.876
The county has a well-functioning internal auditing division.	63	1	5	3.59	0.978
An effective control framework exists within the county government, ensuring that planned activities are carried out as intended.	63	1	5	3.39	0.976
The implementation of sound internal control practices has resulted in enhanced performance the county.	63	1	5	3.87	0.857
Valid N (LISTWISE)	63				

Source: Researcher (2024)

The data presented in the table 9, the respondents had a neutral stance regarding the statement that the county's administration has implemented regular and recurring assessment and review initiatives. The mean score of 3.32 and a relatively low standard deviation of 0.851 suggest that the respondents shared a homogeneous opinion on this

matter. Additionally, the respondents were unsure whether the county government had established clear channels of communication, as indicated by a mean score of 3.43 and a standard deviation of 0.876. The mean of 3.43 implies a somewhat clear channel of communication, while the low standard deviation of 0.876 signifies a low variation in the opinions expressed by the respondents.

The data shows that respondents generally agreed with the statement about the county government having an efficient internal audit department, as shown by a mean score of 3.59. The standard deviation of 0.978 suggests a relatively low variation in opinions on this matter. However, respondents were unsure about the county government achieving an effective control environment that ensures activities are executed as planned, with a mean score of 3.39 and a low standard deviation of 0.976, indicating similar opinions among respondents. Furthermore, respondents agreed that the implementation of sound internal control practices has led to improved performance, supported by a mean score of 3.87. The standard deviation of 0.857 implies a relatively low variation in opinions, suggesting that respondents shared similar views on this aspect.

The goal of the study was to find alternative internal control procedures that county governments may use to improve their performance. The respondents recommended that the counties' control and assessment procedures be completely operationalized. This would entail keeping an eye on how important projects and programs are being carried out in each county to make sure that they are adhering to the timetables and goals specified in the County Integrated Development Plan (CIDP) and that resources are being used appropriately and efficiently. In order to foster openness, impartiality, and professionalism, the respondents also thought that the Meru County administration should carry out recurring rotational audits across all ministries.

The county government should provide possibilities for staff to receive instruction and develop skills in internal control procedures, according to the respondents. They also suggested that competent workers be hired in all departments and that they be recruited, chosen, and employed in an efficient manner. This would guarantee that county governments meet their goals and provide the public with high-quality services.

The results of this research on internal control practices align with the findings reported by Ejoh and Ejom (2014), as well as Ahmed and Nganga (2019). The study established a positive and significant correlation between internal control practices and the performance of county governments. Although Ahmed and Nganga (2019) primarily focused on cash management, audit functions, and risk management as internal control practices, their study yielded similar outcomes. This similarity in results could be attributed to the fact that both studies were conducted within county governments and employed descriptive and inferential statistical methods for data analysis. For instance, the study by Ahmed and Nganga (2019) utilized the same unit of analysis and data analysis techniques as the current research.

4.4.3 Financial Planning practices

The third specific objective of the study was to assess the impact that sound financial planning practices have had on the financial performance of the Meru County Government in Kenya. The results are shown using mean and standard deviation. The descriptive results were presented in Table 10.

Table 10: Descriptive Results on Financial Planning Practices

Statements	N	Min	Max	Mean	Std. Deviation
The county administration secures sufficient resources to carry out its operations effectively.	63	1	5	3.58	0.866
The county has implemented appropriate budgeting practices and adheres to them during budget execution.	63	1	5	3.40	0.802
The county provides regular financial reports to facilitate informed decision-making processes.	63	1	5	3.56	0.676
The county prepares and submits annual audited financial statements to the relevant authorities.	63	1	5	3.69	0.621
Proper financial planning within the county contributes to efficient service delivery to its constituents.	63	1	5	3.89	0.827
Valid N (LISTWISE)	63				

Source: Researcher (2024)

With a mean of 3.58 and a standard deviation of 0.866, Table 10's respondents all agreed that the county government mobilizes enough resources to carry out its operations. This low variance indicates that respondents' opinions are uniform. The adoption of appropriate budgeting and implementation practices received mixed reviews from respondents, with a mean of 3.40 and a standard deviation of 0.802 suggesting that opinions were similar. With a mean score of 3.56 and a standard deviation of 0.676, the respondents were in agreement that the county administration should give frequent financial reports to facilitate better decision making.

A mean of 3.69 and a low response variance, bolstered by a standard deviation of 0.621, suggest that respondents agreed that the county administration created and delivered annual audited financial statements to the appropriate authorities. With a mean of 3.89 and a standard deviation of 0.827, they also agreed that enough financial planning was in place to guarantee effective service delivery. The results of this investigation were consistent with those of Isaac, Lawal, and Okoli (2015), who found that county government performance was positively impacted by budgeting and budgetary execution. Even though the results were comparable, the current study used a correlation research design, whereas Isaac, Lawal, and Okoli (2015) used a survey research design. To acquire data, nevertheless, both research used primary and secondary data gathering techniques.

4.4.4 Governance Practices

The fourth specific objective was to establish how governance practices impact the financial performance in County Government of Meru, Kenya. Descriptive analysis of governance practices on financial performance of county government was presented in Table 11.

Table 11: Descriptive Results on Governance Practices

Statements	N	Min	Max	Mean	Std. Deviation
The county government promotes transparency by making information accessible to the general public	63	1	5	3.32	0.850
Within the county administration, individual accounting officers bear sole responsibility for their actions.	63	1	5	3.42	0.876
The county has formulated strategies to mitigate risks and maintain control over operations.	63	1	5	3.41	0.978

Effective performance evaluation practices have been implemented by the county government.	63	1	5	3.60	0.800
Adherence to good governance principles enables the county to meet its financial obligations effectively.	63	1	5	3.86	0.857
Valid N (LISTWISE)	63				

Source: Researcher (2024)

Table 11 indicated that respondents were not sure that the county government promotes transparency by making information accessible to the general public with a mean of 3.32 and a standard deviation of 0.850, also the respondents remained neutral on the statement that accounting officers in the county government were solely accountable for their actions with an overall mean of 3.42 and a standard deviation of 0.876. respondents neither agreed nor disagreed with the statement that the county has formulated strategies to mitigate risks and maintain control over operations with a mean of 3.41 and a low variation in responses opinion as supported by a standard deviation of 0.978.

Responses on county governments had implemented effective performance appraisal practices indicated an agreement among the respondents with a mean of 3.60 and a standard deviation of 0.800, on good governance practices adequately leading to meeting financial obligations at the county government respondents agreed with the statement with a mean of 3.86 and a standard deviation of 0.857 that indicated homogenous. The research explored methods to enhance the governance procedures to boost the performance of county administration. The participants proposed that county government employees should receive training to acquire expertise, abilities, and experience in corporate governance. The respondents emphasized adhering to the staff members' ethics and accountability, and recommended that county authorities establish

organizational standards and protocols to guide the ethical conduct of all county officials. Additionally, some participants suggested implementing comprehensive service automation within the county government.

The findings of this study align with the results obtained by Ndibe, Abdulazeez, and Mercy (2016), who established that good corporate governance practices have a positive and significant correlation with organizational performance. However, these findings contradict the research conducted by Shahwan (2015), which revealed that corporate governance had a relatively weak relationship with financial performance. The discrepancy in the results could be attributed to the fact that Shahwan's (2015) study was conducted in Egypt, which may have cross-border differences compared to the current study, which was carried out in Kenya. Additionally, Shahwan's research focused on selected companies, which may have different settings and policies than county governments.

4.4.5 Performance of County Governments

The study analyzed the performance of the county government by calculating the mean and standard deviation values from a frequency table. A summary of these statistical results was displayed in Table 12.

Table 12: Descriptive Results on performance of county government

Statements	N	Min	Max	Mean	Std. Deviation
The county government delivers services to its constituents efficiently.	63	1	5	2.99	0.808
Development projects undertaken by the county are completed within the designated timelines.	63	1	5	2.94	1.260
The citizens express satisfaction with the quality of services provided by the county	63	1	5	3.66	1.129

administration.

The county government fulfills its financial obligations in a timely manner.	63	1	5	3.19	1.320
The social programs initiated by the county have experienced noticeable improvements.	63	1	5	3.79	1.163
Valid N (LISTWISE)	63				

Source: Researcher (2024)

Table 12 showed that respondents' opinions on the claim that the county government provided efficient services were divided, with a mean score of 2.99 suggesting that the county government's level of service was below average. 0.808 standard deviation, which indicates a similar opinion. In a similar vein, respondents' opinions regarding the timely completion of development projects were indifferent, with a mean score of 2.94 and a standard deviation of 1.260, suggesting a wide range of opinions.

The study revealed that citizens expressed satisfaction with the services provided by the county government, as indicated by an average response of 3.66 among the participants, suggesting that the services rendered were above average. However, there was a variation in opinions, as evidenced by a standard deviation of 1.129. Regarding the county government's ability to meet its financial obligations on time, respondents were neutral, with a mean of 3.19. Nevertheless, the responses were not homogeneous across departments, as shown by a standard deviation of 1.320. Similarly, respondents agreed to some extent that social programs had improved in the county, with a mean of 3.79. However, the responses were heterogeneous, with a standard deviation of 1.163, indicating variations among respondents.

study conducted by Fjelstad et al. (2004) revealed that local governments in Tanzania, which adhered to sound financial management practices and government regulations, demonstrated positive progress in terms of efficient resource utilization, infrastructure

development, and effective public service delivery. Additionally, some local authorities exhibited financial stability. In contrast, Njuguna (2010) found that in Kenya, most government agencies faced financial difficulties, leading to poor performance in the majority of public corporations. However, the findings of the current study present a different perspective, indicating that county governments in Kenya exhibit moderate performance levels.

4.5 Inferential Analysis

The study aimed to establish the inferential statistics related to the variables under investigation. The subsequent sections present the findings regarding the correlation coefficient, an overview of the analysis of variance (ANOVA) model, and the regression coefficients.

4.5.1 Diagnostic Tests

Before performing regression analysis on the data, several diagnostic tests were carried out to ensure compliance with the necessary statistical assumptions. These tests included assessments of normality, homogeneity, and multicollinearity. The processes and findings of these diagnostic tests are discussed in the following sections.

4.5.1.1 Normality Test

To verify that the data followed a normal distribution, the research employed the Shapiro-Wilk test for normality. The outcomes of this test were summarized and presented in Table 13.

Table 13: Normality Test

Variables	Statistics	df	Sig
Budgeting Practices	0.872	63	0.003
Internal Control Practices	0.811	63	0.002
Financial Planning Practices	0.746	63	0.000
County Governance Practices	0.795	63	0.000

Source: Research (2024)

The data for the study variables showed a normal distribution, as shown in Table 13, with values for the four research variables skewed towards the positive end and ranged from -0.1 to +1.0. In particular, the probability values for financial planning (0.746), internal control (0.811), budgeting (0.872), and county government (0.795) were computed. According to Crowther and Lancaster's (2012) recommendation, the study variables showed values greater than 0.05 at the 5% significance level, indicating that the sample had a normal distribution. The huge sample size of sixty-three study subjects further validated normalcy. Furthermore, the table shows that the data is normally distributed; numbers with $p > 0.05$ suggest this (Black, 2010). The normality statistic also shows that it ranges from zero to one.

4.5.1.2 Homogeneity Test

The study sought to test homoscedasticity Levene's Test and the findings are summarized as shown in Table 14.

Table 14: Homogeneity Test

Variables	Lavene Statistics	df	Sig
Budgeting Practices	8.456	1	0.789
Internal Control Practices	7.432	1	0.579
Financial Planning Practices	6.334	1	0.234
County Governance Practices	7.582	1	0.338

Source: Researcher, (2024)

Table 14 presents the calculated probability values for the four study variables. These values are greater than 0.05 for all the variables, indicating homogeneity of variance across the predictor variables concerning the dependent variable. Specifically, the probability values are 0.234 for Financial Planning Practices, 0.579 for Internal Control Practices, 0.789 for Budgeting Practices, and 0.338 for county governance practices. This finding aligns with the recommendation by Novikov and Novikov (2013) regarding the existence of variance homogeneity across predictor variables on the dependent variable.

4.5.1.3 Multicollinearity Test

In order to determine whether multicollinearity was an issue, the study tested multicollinearity. The findings are summed up in Table 15.

Table 15: Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	Mean VIF
Budgeting Practices	0.846	1.182
Internal Control Practices	0.682	1.467
Financial Planning Practices	0.712	1.404

County Government	0.694	1.441
Practices		

Source: Researcher (2024)

The findings presented in Table 15 reveal that the tolerance values for Budgeting, Internal Control, Financial Planning and County Government Practices were 0.846, 0.682, 0.712 and 0.694, respectively. Notably, the tolerance levels for all the predictor variables exceeded the 0.1 or 10% threshold. Additionally, the Variance Inflation Factor (VIF) for each variable was below 10, indicating no need to exclude any variable individually. Consequently, the study concluded that there was no multicollinearity present, and the estimators were deemed reliable for modeling purposes.

4.5.2 Correlation Analysis

The presence and strength of the relationship between variables are shown by correlation. The Pearson correlation test was used to calculate correlation; the stronger the relationship between the variables, the closer the coefficient is to 1. Positive values indicate that the variables shift in the same direction, whilst negative values indicate that the variables are inversely connected.

Table 16: Correlation Analysis Correlations

		Budgeting Practices	Internal Control Practices	Financial Planning Practices	Governance Practices	Financial Performance
Budgeting Practices	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	63				
Internal Control Practices	Pearson Correlation	0.771**	1			
	Sig. (2-tailed)	0.001				
	N	63	63			
Financial Planning Practices	Pearson Correlation	0.766**	0.791**	1		
	Sig. (2-tailed)	0.000	0.000			
	N	63	63	63		
Governance Practices	Pearson Correlation	0.675**	0.748**	0.724**	1	
	Sig. (2-tailed)	0.001	0.000	0.00		
	N	63	63	63	63	
Financial Performance	Pearson Correlation	0.000	0.003	0.000	0.002	1
	Sig. (2-tailed)	0.539**	0.464**	0.652**	0.543**	
	N	63	63	63	63	63

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2024)

The results presented in the table 16 reveal a robust and significant correlation among the independent variables (budgeting, internal control, financial planning, and governance practices), as evidenced by correlation coefficients exceeding 0.5 and a P-value less than 0.05. Specifically, there exists a positive significant correlation between budgeting practices and the performance of the county government ($R=0.539$, $P<0.05$). This implies that an enhancement in budgeting practices leads to an improvement in the county government's performance. Additionally, the findings indicate a positive significant correlation between internal control practices and the county government's performance ($R=0.464$, $P<0.05$). This translates to an increase in internal control practices resulting in an increase in the county government's performance.

Further, the findings revealed a significant positive correlation between financial planning practices and the county government's performance ($R=0.652$, $P<0.05$). This suggests that as financial planning practices are enhanced, the performance of the county government also improves. Additionally, the results demonstrated a positive significant correlation between county governance practices and the county government's performance ($R=0.543$, $P<0.05$). This implies that better governance practices within the county lead to increased performance of the county government.

4.5.3 Regression Analysis

The impact of strategic financial distress management practices on the performance of Meru County Government was determined using multiple regression analysis, which allows evaluation of the strength of the relationship between an outcome variable and several predictor variables as well as the significance of each predictor to the relationship. The model summary results are shown in Table 17.

Table 17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941 ^a	0.887	0.839	0.705

a. Predictors: (Constant), Budgeting, Internal Control, Financial Planning, County Governance Practices

The results presented in Table 17 demonstrated a robust correlation between the performance of the Meru County administration and its financial distress management techniques. The practices of financial planning, internal control, budgeting, and county government accounted for 88.7% of the variation in the county's performance, while other factors not included in the model contributed 11.3% (R square = 0.887).

Table 18: ANOVA Statistics

Model		Sum of Squares	df	Mean Square	F	Sig.
Regression		4035.635	4	1008.909	10.740	.000 ^b
1	Residual	9675.662	59	93.938		
	Total	13711.296	63			

Source: Researcher (2024)

The results presented in the Table 18 demonstrate that the model employed was statistically significant, as evidenced by the F-statistics (F = 10.740, P<0.05 at the 5% significance level). This significance indicates that the model successfully explains the relationship between various practices, such as budgeting, internal control, financial planning, governance, and their impact on county performance changes. The findings suggest that at least one of the variables considered, which include budgeting practices, internal control practices, financial planning practices, and county governance practices, can be utilized as a predictor of changes in county financial performance.

4.5.3 Regression Coefficients

The regression coefficients, denoted by the B column in Table 19, illustrate the extent to which changes in the predictor variables—budgeting, internal control, financial planning, and county governance practices—affect the change in county performance. Whereas a positive coefficient denotes a direct relationship in which the variables move in unison, a negative coefficient denotes an inverse relationship in which the variables move in opposition to one another. The predictive variable's variations may or may not have contributed significantly to the explanation of the fluctuations in the predicted variables, as shown by the significance value (P-value).

Table 19: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.747	0.993		2.768	0.009
Budgeting Practices	0.415	0.177	0.370	2.343	0.000
Internal Control Practices	0.317	0.149	0.334	2.124	0.001
Financial Planning Practices	0.418	0.153	0.128	1.770	0.000
County Governance Practices	0.309	0.149	0.346	2.071	0.003

a. Dependent Variable: Performance

Source: Researcher (2023)

Table 19 shows that, when the explanatory factors for financial crisis management strategies are held constant, the constant was 2.747 units, meaning that the financial performance of Meru County Government increases by 2.747 units. The study used $Y = 2.747 + 0.415X_1 + 0.317X_2 + 0.418X_3 + 0.309X_4 + \epsilon$ as its model. The model's interpretation is given in the paragraphs that follow. The results show a positive and

significant association ($B1= 0.415$, $\text{sig}=0.000$) between the county's performance and its budgeting practices. This suggests that a change of one unit in budgeting practices (X1) results in a rise of 0.415 units in the financial performance of the Meru County Government. The county's financial performance changed by 0.317 units for every unit change in internal control practices (X2), according to a positive and significant connection between internal control practices and financial performance ($B2=0.317$, $\text{sig}=0.001$).

Additionally, a positive and statistically significant connection ($B3=0.418$, $\text{sig}=0.000$) between the county's financial planning practices and performance is demonstrated by the results. This means that 0.418 units of performance changes would result from a unit change in the county's financial planning processes (X3). Furthermore, the results show a strong and positive correlation ($B4=0.309$, $\text{sig}=0.003$) between county governance approaches and financial county performance. This suggests that the financial performance of the Meru county government would alter by 0.309 units for every unit change in the county governance procedures (X4).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter offers condensed accounts of the research findings aligned with the study objectives. It presents inferences derived from those findings and provides recommendations grounded in both the study's results and other relevant literature deemed essential. These recommendations are intended to be leveraged in the future to enhance the circumstances examined in the study.

5.2 Summary of the Result Findings

The study aimed to look into the relationship between the performance of Kenyan Meru County governments and financial distress management strategies. Four main goals served as the foundation for the study: figuring out how budgeting practices affect financial performance; figuring out how much internal control practices affect financial performance; figuring out how financial planning practices affect financial performance; and figuring out how governance practices affect financial performance in the County Government of Meru, Kenya.

5.2.1 Budgeting Practices and Performance

Examining how budgeting practices (BP) affect Meru County government performance was the first and most important goal. The research question, "What are the impacts of budgeting practices on county government performance?" emerged from this purpose. The results showed that there was a strong statistically significant correlation between Meru County's budgeting procedures and performance. As part of budgeting practices,

the government's current financial situation is assessed, prospective growth opportunities and options are reviewed, development alternatives for meeting growth targets are identified, funding requirements are evaluated, alternative funding sources are investigated, and actual performance is compared to expected performance. Financial modeling techniques, organizational procedures, planning techniques, and policy-making techniques are all included in budgeting methods.

A county government's treasury can make better plans, decisions, and alignment with the goals and direction of the county with the help of budgeting. Even though Meru County used the Integrated Development Plan as its principal planning guide for all of its projects and services, the study found that resource allocation and timely disbursement were still crucial to the projects' successful completion.

5.2.2 Internal control practices and performance

The county government-initiated monitoring and evaluation programs on a somewhat frequent basis, though slightly below the average frequency. Additionally, the findings showed that the county government had clear communication channels in place. This enabled communication within and outside the institution through various media platforms. The study also revealed that the county government had an efficient internal audit department, ensuring proper utilization of available resources. Regarding the effective control environment, the study indicated that activities were executed as planned by the county government. Internal control practices led to enhanced service delivery within the county government. Consequently, the study established a positive and significant relationship between internal control practices and the performance of the selected county governments.

5.2.3 Financial planning practices and performance

In terms of Financial Planning Practices and Performance, the results showed that the county governments had sufficiently mobilized resources in a moderate amount, which made it easier for them to carry out their various functions. The county government performed well in part because it had solid budgeting and execution procedures in place. Additionally, the results demonstrated that a key element supporting financial planning procedures in county governments and, consequently, improving performance, was consistent financial reporting. Finally, the investigation found that all pertinent stakeholders received yearly audited accounts from the county administration. The results of the study showed a statistically significant correlation between the county government's performance (effective service delivery) and appropriate financial planning procedures.

5.2.4 County Governance Practices and Performance

The study's findings unveiled that while transparency existed within the county government, it did not meet satisfactory levels. The public could access county information, but only to a certain extent. It was also established that accounting officers within the county government were accountable for all their actions, as supported by the majority of respondents. Risk mitigation and control strategies in the county government were moderately developed. Furthermore, it was determined that the county government had slightly above-average effective performance appraisal practices in place. Lastly, the study results indicated that sound governance practices adequately enabled the county government to meet its financial obligations. Although the county governance practices were not excellent, they were slightly above average, as the findings suggested. Consequently, the study established a positive and significant

relationship between county governance practices and the performance of Meru County government.

5.3 Conclusions

The study conclusion has been summarized in the sub sections below;

5.3.1 Internal Control Practices and Performance

The research findings indicate a significant positive correlation between budgeting practices and County performance. Moreover, it was observed that the county adheres strictly to the approved budgetary allocations for expenditures. Regular reviews of budget variances, conducted monthly and annually by the county government, are utilized to assess budget performance. Additionally, the study highlights the importance of funding decision-making processes for county governments and suggests that policymakers could benefit from this research to develop effective control policies in this domain.

5.3.2 Internal Control Practices and Performance

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

5.3.3 Financial Planning Practices and Performance

The research on financial planning and practices found that the performance of county governments improves significantly when they effectively mobilize resources, implement proper budgeting procedures, ensure regular financial reporting, and make audited accounts available annually. Overall, proficient financial planning practices

within county governments contribute to enhanced performance and efficient service delivery. The study concludes that these financial planning practices have a statistically significant impact on the performance of county governments.

5.3.4 County Governance Practices and Performance

Transparency within the county government was evident, albeit falling short of anticipated levels. However, the county government's accounting officers are held accountable for their decisions and actions, contributing to accountability and transparency. Risk mitigation and control strategies within county governments were found to be moderately effective, alongside an efficient performance appraisal system. In conclusion, the study establishes a statistically significant correlation between County Governance Practices and the performance of county governments.

5.4 Recommendations

The report advises Kenya's county governments to persist in utilizing finance and reassessing financial policies to gauge their effectiveness in budgeting practices. It emphasizes the importance of adopting budgeting and financing decision-making practices to gather valuable data for insightful planning and feedback mechanisms, ultimately enhancing county governments' performance in Kenya. Furthermore, the study recommends that county governments consider implementing robust budgeting practices in alignment with relevant legislative frameworks, notably the PFM Act. This approach would facilitate a comprehensive understanding among management, empowering them to influence stakeholders and make well-informed decisions regarding county government outcomes.

The study suggests that county governments should focus on mobilizing additional resources to support the timely execution of projects. Emphasizing the importance of effective budgeting and implementation practices, it advocates for better control,

utilization, and evaluation of resources. Furthermore, the study highlights the necessity of providing regular financial reports and annual audited accounts to stakeholders to promote transparency. Moreover, the study recommends that county governments ensure the availability of county information for easy access, enhancing transparency. Holding county officers accountable for their actions can lead to more accurate reporting, while implementing risk mitigation and control strategies is vital for reducing risks. To motivate employees, effective performance appraisal practices are deemed necessary.

In addition, the study proposes the establishment of periodic monitoring and evaluation programs to enhance the effectiveness and efficiency of service delivery. Clear communication channels within and outside the county government are also recommended to facilitate effective communication. Lastly, the study stresses the importance of having an efficient internal audit department to ensure proper resource utilization.

5.5 Recommendations for Further Research

It is imperative to conduct additional research into the impact of internal control practices and performance, particularly focusing on the effectiveness of periodic monitoring and evaluation initiatives. Another area of investigation could involve examining how county governance influences performance. Previous research findings suggest a moderate correlation between these factors and organizational performance, underscoring their significance. However, it is essential to explore additional variables, as the four factors studied so far only account for 88.7% of county governments' performance.

REFERENCES

- Abdi, M. B., & Mutswenje, V. S. (2023). Analysis of Budget Processes and Financial Outcomes in Kenyan Manufacturing Firms. *International Academic Journal of Economics and Finance*, 3(9), 288-308.
- Agbenyo, W., Danquah, F. O., & Shuangshuang, W. (2018). The Role of Budgeting on Financial Outcomes: Insights from Ghanaian Manufacturing Firms. *Research Journal of Finance and Accounting*, 9(8), 12-22.
- Ahmed, S. O., & Nganga, P. (2019). Examining Internal Controls and Their Impact on Financial Performance in Coastal Kenya County Governments. *International Journal of Current Aspects*, 3(V), 28-41.
- Akinleye, G. T., & Kolawole, A. D. (2020). Investigating Internal Controls and Their Effect on Performance in Tertiary Institutions in Ekiti State. *International Journal of Financial Research*, 11(1), 405-416.
- Akisik, O., & Gal, G. (2017). Evaluating Corporate Social Responsibility and Internal Controls: Stakeholder Perception and Financial Outcomes. *Sustainability Accounting, Management and Policy Journal*.
- Al Matari, E. M., & Mgammal, M. H. (2019). The Influence of Internal Audit on Corporate Governance and Performance in Saudi Arabian Firms. *Contaduría y Administración*, 64(4), 9.
- Alemu, S. (2015). Determinants Affecting Profitability in Ethiopian Banks. (Unpublished MBA Thesis, Addis Ababa University)
- Ali, M. A. (2022). Budgeting Processes and Organizational Performance in Selected Mogadishu Firms. *EPRA International Journal of Multidisciplinary Research (IJMR)*, 8(2), 49-55.
- Ali, Z., & Mehreen, A. (2020, February). Succession Planning and Employee Performance: The Job Demands-Resources Model. *Evidence-Based HRM: a Global Forum for Empirical Scholarship*, 8(1), 79-91. Emerald Publishing Limited.
- Aminu, Y., & Zainudin, N. (2015). Tracing the Development of Working Capital Management Theories. *European Journal of Business and Management*, 7(2), 10-18.
- Andrade, G., & Kaplan, S. (2015). Costs Associated with Financial Distress in Leveraged Transactions. *Journal of Finance*, 53(7), 1443-1493.

- Antill, S., & Grenadier, S. R. (2019). Dynamic Strategies in Capital Structure and Bankruptcy Decisions. *Journal of Financial Economics*, 133(1), 198-224.
- Anwar, M. (2014). Profitability Drivers in Islamic Banking: A Study of Gulf African Bank in Kenya. (Unpublished MBA Project, Kabarak University).
- Asenahabi, B. M. (2019). Selecting the Appropriate Research Design: A Practical Guide. *International Journal of Contemporary Applied Researches*, 6(5), 76-89.
- Bujang, M. A., Omar, E. D., & Baharum, N. A. (2018). Guide to Sample Size Determination in Cronbach's Alpha Testing. *The Malaysian Journal of Medical Sciences: MJMS*, 25(6), 85.
- Carlock, J., Eberhardt, M., Horst, J., & Kolenich, P. (2017). A Guide for International Students on Research Paper Writing. *University of Michigan Press ELT*.
- Cohen, L., Manion, L., & Morrison, K. (2017). *Educational Research Methods*. Routledge.
- Edmonds, W. A., & Kennedy, T. D. (2016). *Practical Guide to Research Designs: Quantitative, Qualitative, and Mixed Methods*. Sage Publications.
- Ejoh, N., & Ejom, P. (2014). Internal Control Activities and Their Impact on Financial Performance in Nigerian Tertiary Institutions. *Journal of Economics and Sustainable Development*, 5(16), 133-143.
- ElBannan, M. A. (2021). Predicting Financial Distress in Emerging Markets: Key Factors and Evidence. *Emerging Markets Review*, 47, 100806.
- Ezejiofor, R. A., & Okerekeoti, C. U. (2021). Application of Altman's Bankruptcy Prediction Model to Nigerian Banks and Corporate Governance. *International Journal of Trend in Scientific Research and Development (IJTSRD)*, 5(6).
- Gao, P. (2021). The Role of Working Capital in Financial Distress Among Nairobi Securities Exchange Firms. (Doctoral dissertation, University of Nairobi).
- Ibrahim, R. (2019). Impact of Corporate Governance on Financial Distress: Insights from Indonesian Public Companies. *Journal of Economics, Business & Accountancy Ventura (JEBAV)*, 21(3), 415-432.
- Kanwal, M., & Hameed, S. (2017). The Effect of Dividends on Company Performance. *Research in Business and Management*, 4(1), 5-13.

- Karimi, N. B., & Makokha, E. N. (2021). Influence of Budget Planning on the Performance of County Administrations in Kenya: The Case of Migori County. *International Journal of Public Administration*.
- Kimani, Z. W. (2015). Impact of Budget Discrepancies on Donor Contributions in Kenyan NGOs. (Doctoral dissertation, University of Nairobi).
- Kothari, C.R. (2019). *Research Methods and Techniques*. 4th Edition, New Age International Publishers, New Delhi.
- Mbogho, M. S. (2017). Effects of Government Borrowing on Private Sector Lending in Kenya. (Doctoral dissertation, University of Nairobi).
- Mbugi, I. O., & Lutego, D. (2022). Budgetary Control and its Effects on the Performance of Banks in Dar-Salaam: A Study of Commercial Banks in Mwanza City. *International Journal of Engineering, Business and Management*, 6(2).
- Mkoma, R. N., & Rwekaza, C. T. (2021). Decentralization in Tanzania: Efficiency and Effectiveness in Community Health Care, Basic Education, and Public-Private Partnerships. *HOLISTICA—Journal of Business and Public Administration*, 12(1), 57-68.
- Mukaba, T. K. (2016). Voluntary Financial Statement Disclosure and Financial Distress in Manufacturing Firms Listed on the Nairobi Securities Exchange. (Doctoral dissertation, University of Nairobi).
- Muthuva, D. (2016). Factors Determining Disclosure Levels in Deposit-Taking Savings and Credit Co-operative Societies in Kenya. (Doctoral dissertation, Jomo Kenyatta University of Agriculture and Technology).
- Ndunda, J. M., Muturi, W., & Wanyoike, D. (2020). Impact of Auditing Practices on Financial Distress in Selected County Governments in Kenya. *Journal of Finance and Accounting*.
- Ngugi, G. W. (2021). Relationship Between Generic Strategies and Performance of Pharmaceutical Manufacturing Companies in Nairobi City County, Kenya. (Doctoral dissertation, Kenyatta University).
- Ntoiti, J., Roselyn, W. G., & Waititu, G. A. (2017). Role of Corporate Governance Practices in Mitigating Financial Distress in Local Authorities in Kenya. *American Journal of Leadership and Governance*, 1(1), 21-40.
- Ouachani, S., Belhassine, O., & Kammoun, A. (2021). A Review of Financial Literacy Measurement Methods. *Managerial Finance*, 47(2), 266-281.

- Patti, A. (2015). Tools for Preserving Financial System Soundness in Cases of Financial Distress and Bankruptcy. *Journal of Financial Stability*.
- Sadaa, A. M., Ganesan, Y., Yet, C. E., Alkhazaleh, Q., & Alnoor, A. (2023). The Role of Corporate Governance in Financial Distress and Credit Risk: Evidence from Iraqi Banks. *Journal of Open Innovation: Technology, Market, and Complexity*, 9(2), 100051.
- Schwartz, A. (2020). Contracting Related to Bankruptcy and Bankruptcy Functions. In *Research Handbook on Corporate Bankruptcy Law* (pp. 363-394). Edward Elgar Publishing.
- Sorland, B. F., & Rudel, M. G. N. (2015). Determinants of Financial Distress Risk and Default Rates in Leveraged Buyout Targets: Evidence from European Transactions. *European Financial Management Journal*.
- Van Greuning, H., & Bratanovic, S. B. (2020). *Framework for Assessing Corporate Governance and Risk Management in Banking*. World Bank Publications.
- Waikenda, M. (2020). Effect of Stakeholder Participation on County Government Performance in Kenya. *Journal of Research in Management*, 2(4).
- Wanjohi, H. (2021). Effect of Financial Accountability on the Sustainability of NGOs in Nairobi County, Kenya. (Doctoral dissertation, Strathmore University).
- Zietlow, J., Hankin, J. A., Seidner, A., & O'Brien, T. (2018). *Financial Management for Nonprofit Organizations: Policies and Practices*. John Wiley & Sons.
- Zimon, G. (2021). An Overview of Working Capital. *Encyclopedia*, 1(3), 764-772.



APPENDICES

Appendix I: Informed Consent Form

Dear Madam/Sir,

RE: REQUEST FOR YOUR CONSENT TO PARTICIPATE IN A RESEARCH

I write to request you to kindly participate in a research project. The study title is:

Impact of financial distress management practices on financial performance in county government of Meru, Kenya

The potential risks and discomforts of the study are minimal. This is because you will only be expected to participate in the questionnaire. Before filling the questionnaire, all respondents will be reminded and requested to keep what is discussed to be confidential. There are no potential benefits for you as a person for participating. You are being asked to volunteer and share your opinions. No payment will be made for the information that you give or for the time that you will spend with us. Confidentiality of any information that you provide will be maintained. The Information will be applied in this study's purpose and will be destroyed when the findings are published.

PARTICIPATION IN THIS STUDY IS ENTIRELY VOLUNTARY. YOU MAY REFUSE TO FILL THE QUESTIONNAIRE AND YOU MAY WITHDRAW AT ANY STAGE IF YOU SO WISH.

If you accept to participate in this study, please append your signature below:

Signature of participant: Date:

If you have any query, please contact the following:

Mobile phone:or by email:

Sincerely,

Name.....

Researcher

Appendix 1I: Questionnaire

The purpose of this research is to examine how the Kenyan government's financial performance in Meru County is affected by the current financial distress management strategies. Part A of the survey is concerned with general demographics, and Part B with more narrowly defined scholastic aims. Put a check mark () in each box that best describes your answer without revealing your identity.

PART A: PERSONAL INFORMATION

1. Gender
 - a) Male ()
 - b) Female ()

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

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

4. Highest Academic Qualification

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

PART B: FINANCIAL DISTRESS MANAGEMENT PRACTICES

This section seeks to collect data on various financial distress management practices at County government of Meru, Kenya.

BUDGETING PRACTICES

Please check () the statements that you most strongly agree with. Weights are put on a scale where: 1 = Strongly Disagree (SD), 2 = Disagree (D), 4 = Agree (A), 3 = Neutral (N), and 5 = Strongly Agree (SA).

S/No	STATEMENTS	SA	A	N	D	SD
1	Consultative procedures are used to create the planning papers (CIDP, ADP, CFSP, and Budget).					
2	The ADP and CIDP are connected to the county budget.					
3	ADP and CIDP priorities are the main focus of departmental budgets.					
4	The House upholds the county budget in accordance with its approval.					
5	In my department, expenses are paid according to the budget.					
6	My department receives resources in a timely manner.					
7	An assessment of the financial situation, projections of revenues and expenses, information on the debt situation, and a look at affordability are all included in this plan..					

8	The County Government reviews monthly and yearly budget variances.					
---	--	--	--	--	--	--

INTERNAL CONTROL PRACTICES

Please check () the statements that you most strongly agree with. A scale with varied weights is given, with 5 denoting "Strongly Agree" (SA), 4 "Agree," 3 "Neutral," 2 "Disagree," and 1 "Strongly Disagree."

S/No	STATEMENTS	SA	A	N	D	SD
9	The county administration has started routine and recurring monitoring and evaluation procedures.					
10	The county government has established distinct communication channels.					
11	The county government operates a productive internal audit division.					
12	The county government has a strong control environment that makes sure that things get done the way they're supposed to.					
13	Internal control procedures enhance service provision.					

FINANCIAL PLANNING PRACTICES

Please check () the statements that you most strongly agree with. A scale with varied weights is given, with 5 denoting "Strongly Agree" (SA), 4 "Agree," 3 "Neutral," 2 "Disagree," and 1 "Strongly Disagree."

S/No	STATEMENTS	SA	A	N	D	SD
14	The county government mobilizes sufficient resources to carry out its functions.					

15	The county administration has implemented appropriate budgeting and budget execution procedures.					
16	For better decision-making, the county administration offers regular financial reports.					
17	The county government prepares and provides the appropriate bodies with annual audited accounts.					
18	An effective finance plan guarantees effective service delivery.					

GOVERNANCE PRACTICES

Please check () the statements that you most strongly agree with. A scale with varied weights is given, with 5 denoting "Strongly Agree" (SA), 4 "Agree," 3 "Neutral," 2 "Disagree," and 1 "Strongly Disagree."

S/No	STATEMENTS	SA	A	N	D	SD
19	Providing public access to county information promotes transparency in county government.					
20	The county government holds each accounting officer personally liable for their conduct.					
21	The county administration has created risk reduction and management plans.					
22	The county government has put in place efficient performance review procedures.					
23	The county government's financial commitments are met as a result of good governance measures.					

FINANCIAL PERFORMANCE OF COUNTY GOVERNMENTS

Please check () the statements that you most strongly agree with. A scale with varied weights is given, with 5 denoting "Strongly Agree" (SA), 4 "Agree," 3 "Neutral," 2 "Disagree," and 1 "Strongly Disagree."

S/No	STATEMENTS	SA	A	N	D	SD
29	The county government delivers services effectively.					
30	Developmental projects are timely completed					
31	The county government provides satisfied citizens with its services.					
32	The county government is timely in paying its debts.					
33	Social programs in the county have improved.					

Appendix IV: ERC Certificate



REF: MKU/ISERC/3193
TO: JACKLINE KARIMI MAITIMA

Date: 29 September 2023

REG: MBA/43009/2016

Dear Sir/Madam,

RE: IMPACT OF FINANCIAL DISTRESS MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF MERU KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2237**. The approval period is **29/09/2023 - 28/09/2024**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

The Chairman
Mount Kenya University
Ethics Review Committee
P. O. Box 342 - 0100, Thika

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

Appendix V: Introduction Letter



Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

MBA/43009/2016
2nd October, 2023

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,

RE: JACKLINE KARIMI MAITIMA – REGISTRATION NO. MBA/43009/2016

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **“Impact of Financial Distress Management Practices on Financial Performance of County Government of Meru Kenya.”** It has been cleared by the University’s Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **October, 2023 and December, 2023.**

Any assistance accorded to the student will be highly appreciated.

Thank you.

Dr. Samuel M. Karim
To
Dr. Samuel M. Karim, Ph.D
Director, Graduate Studies
Enc.



Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: 020-2878 000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified Institution.
Unlocking Infinite Possibilities

Appendix VI: Research Permit

 <p>REPUBLIC OF KENYA National Commission for Science, Technology and Innovation</p>	 <p>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>
<p>Ref No: 834894</p>	<p>Date of Issue: 24/January/2024</p>
<p>RESEARCH LICENSE</p>	
	
<p>This is to Certify that Ms. JACKLINE MAITIMA KARIMI of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev:2014) in Meru on the topic: IMPACT OF FINANCIAL DISTRESS MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF MERU KENYA for the period ending : 24/January/2025.</p>	
<p>Applicant Identification Number 834894</p>	<p>License No: NACOSTI/P/24/32677</p>
<p>Director General</p>	 <p>Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	<p>Verification QR Code</p> 
<p>See overleaf for conditions</p>	

Appendix VII: Field entry authorization

COUNTY GOVERNMENT OF MERU



DEPARTMENT FINANCE, ECONOMIC PLANNING AND ICT

When replying please quote
Email: finance.department@meru.go.ke

Meru County Headquarters
P.O Box 120-60200
Meru

REF: CGM/FIN/COF/GEN/VOL. III (009)

DATE: 31st January 2024

RE: RESEARCH AUTHORIZATION -JACKLINE KARIMI MAITIMA.

Reference is made to letter Ref: NACOSTI/P/24/32677 dated 24th January 2024.

Authority is hereby granted to Jackline Karimi Maitima to carry out research on “**Impact of Financial Distress Management Practices on Financial Performance of County Government of Meru Kenya.**” in Meru Central Subcounty for the period ending 24th January, 2025.

The person undertaking this study is bound by all the ethical rules and regulations governing surveys this nature.


CPA. Charles Mwenda
CHIEF OFFICER FINANCE



IMPACT OF FINANCIAL
DISTRESS MANAGEMENT
PRACTICES ON FINANCIAL
PERFORMANCE OF COUNTY
GOVERNMENT OF MERU KENYA
by JACKLINE KARIMI

Submission date: 04-Jun-2024 08:41PM (UTC+0300)
Submission ID: 2388383025
File name: JACKLINE_KARIMI_MAITIMA_MERGED.doc (10.78M)
Word count: 21605
Character count: 123925

Mount KE

IMPACT OF FINANCIAL DISTRESS MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF MERU KENYA

ORIGINALITY REPORT

20% SIMILARITY INDEX	17% INTERNET SOURCES	3% PUBLICATIONS	11% STUDENT PAPERS
--------------------------------	--------------------------------	---------------------------	------------------------------

PRIMARY SOURCES

1	Submitted to Mount Kenya University Student Paper	2%
2	ijecm.co.uk Internet Source	1%
3	Submitted to Garissa University College Student Paper	1%
4	ir-library.ku.ac.ke Internet Source	1%
5	erepository.uonbi.ac.ke Internet Source	1%
6	ir-library.egerton.ac.ke Internet Source	1%
7	ir.jkuat.ac.ke Internet Source	1%
8	repository.kemu.ac.ke:8080 Internet Source	1%

124 su-plus.strathmore.edu < 1 %
Internet Source

125 usir.salford.ac.uk < 1 %
Internet Source

126 wiredspace.wits.ac.za < 1 %
Internet Source

127 Rahel Nasoni Mkoma, Charles Tinabo Rwekaza. "Decentralization in Tanzania: Perceptible Efficiency and Effectiveness in Management of Community Health Care, Free Basic Education and Public Private Partnership", *HOLISTICA – Journal of Business and Public Administration*, 2021
Publication

Exclude quotes

Off

Exclude matches

Off

Exclude bibliography

Off

Mount K