

**EFFECT OF FISCAL DECENTRALIZATION POLICY ON PUBLIC SERVICE
DELIVERY IN EMBU COUNTY GOVERNMENT KENYA**

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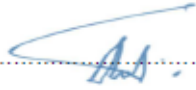
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
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MANAGEMENT OF
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DECLARATION AND APPROVAL

Student's Declaration

I declare that this project is the result of my own work and has not been submitted to any other university or institution for the award of a degree or any other qualification.


Signature:  Date: ...1/07/2025.....

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MPAM/48336/2016

Supervisor Approval

I confirm that the research presented in this project was carried out by the candidate under my supervision.

Signature:  Date: ...1/07/2025.....

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DEDICATION

This project is a dedication to my wife Florence Tanui and my children Lorraine, Christian and Adrian.



ACKNOWLEDGEMENT

I wish to extend my sincere appreciation to all those who contributed to the successful completion of this study. I am especially thankful to my supervisor, Dr. Daniel Kanchori, whose guidance, encouragement, and insightful feedback were vital in shaping and refining this research. I also appreciate the valuable input and support from my classmates and colleagues, whose thoughtful discussions greatly enhanced my understanding of the topic. A special thank you goes to one particular classmate whose collaboration made a meaningful impact. Most importantly, I am profoundly grateful to my family and friends for their constant encouragement and belief in me. Their support has been a driving force throughout this journey. This study could not have been accomplished without the collective support of all these individuals.

Thank you.

ABSTRACT

Widespread dissatisfaction with centralized systems of service delivery at the local level, combined with developmental inefficiencies, has led to increased global advocacy for fiscal decentralization. This strategy is intended to improve service provision by empowering local governments. Nonetheless, in Kenya, county-level service delivery has continued to face performance challenges despite the implementation of fiscal decentralization frameworks. This study explored the influence of fiscal decentralization on public service delivery within Embu County's local government structures. It specifically investigated the effects of own-source revenue generation, decentralized expenditure, intergovernmental fiscal transfers, and county-level borrowing. Additionally, the study assessed how accountability practices mediate the relationship between fiscal decentralization and service delivery. The research was grounded in the theoretical lenses of fiscal decentralization, agency theory, and New Public Management (NPM). An interpretivist philosophical stance was adopted, and a descriptive research design guided the study. The target population included 98 opinion leaders from Embu County, and a census approach was used for data collection. A random sampling technique was employed, and in-depth interviews were conducted with nine key directors from the departments of budget, finance, and planning. Data collection instruments included structured questionnaires and an interview schedule. The questionnaire underwent a thorough validation process through expert panel reviews, pilot testing, and exploratory factor analysis. Internal reliability was tested using Cronbach's Alpha, with a threshold value above 0.70 confirming consistency. Data analysis involved both descriptive and inferential statistics, with significance determined at the 0.05 level. Diagnostic tests ensured all assumptions for linear regression were met. A high response rate of 95.9% was achieved. Correlation analysis demonstrated a positive relationship between public service delivery and most fiscal decentralization variables, while county borrowing was negatively associated. Regression results indicated that fiscal decentralization components significantly influenced service delivery, with the model accounting for 67% of the variation ($F(5, 88) = 14.413, p < 0.05$). The specific findings were: own-source revenue ($\beta = 0.2247, t = 2.75, p < 0.05$), expenditure decentralization ($\beta = 0.304, t = 3.55, p < 0.05$), intergovernmental transfers ($\beta = 0.326, t = 3.43, p < 0.05$), and county borrowing ($\beta = -0.171, t = -2.61, p < 0.05$). Based on these results, the study recommends that county governments diversify their revenue sources, ensure active citizen participation in budget processes, secure timely transfers from the national government, and develop robust policies to regulate county-level borrowing. From a policy standpoint, adherence to the Public Finance Management Act throughout the budgeting cycle is crucial. Future research should explore how decentralization affects the operational capacities and institutional effectiveness of county governments.

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ABBREVIATION AND ACRONYMS

CDF:	Constituency Development Fund
CILOR:	contribution in lieu of rates (CILOR),
CRA:	Commission for Revenue Allocation
KIPPRA:	Kenya Institute for Public Policy Research and Analysis
KNBS:	Kenya National Bureau of Statistics
LATF:	Local Authority Transfer Fund
NACOSTI:	National Commission for Science, Technology & Innovation
OECD:	Organisation for Economic Co-operation and Development
OSR:	Own Source revenue
SPSS:	Statistical Package for Social Science
USAID:	United States Agency for International Development

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Fiscal decentralization remains a significant topic of concern for many developing nations. It has garnered growing support from recent research and international institutions due to its perceived advantages and complexities. Prominent organizations such as the World Bank (2020) and the Organization for Economic Cooperation and Development (OECD, 2019) have consistently endorsed initiatives aimed at promoting fiscal decentralization, highlighting its importance in strengthening local governance structures and improving the efficiency of economic management at the grassroots level. However, the interest in fiscal decentralization often stems from political motivations as well, as highlighted in more recent literature (Singh & Sharma, 2020; Gomez & Martinez-Vazquez, 2019; Oates, 2018). This pattern is evident not only across African nations but also in several other developing countries undertaking decentralization initiatives. Countries such as Mexico, Brazil, Bolivia, Belarus, South Africa, and Nigeria have implemented fiscal decentralization measures, with the World Bank (2018) playing an active role in supporting these reforms as part of broader poverty alleviation and development strategies.

The practical application of fiscal decentralization varies significantly across different federal systems, influenced by historical, cultural, and political factors. For instance, the German federal system remains relatively centralized (Baskaran & Feld, 2019), contrasting with the United States, where sub-national governments play a crucial role in shaping political life, despite the federal government's significant influence as a lender of last resort to state and local governments (Rodden, 2020). This updated perspective underscores the evolving nature of fiscal decentralization discourse, highlighting both its potential benefits and the

complexities involved in implementing effective decentralization policies in diverse federal systems.

The Canadian federal system is recognized for its notably decentralized model of fiscal federalism, aiming primarily at diminishing financial concentration centrally. This endeavor to balance intergovernmental fiscal relations in Canada seeks to mitigate the disparities across provinces by ensuring equitable financial distribution and autonomy. Despite Canada's high degree of fiscal decentralization, this setup often clashes with equitable distribution goals due to significant disparities in provincial income and size. To address these disparities, intergovernmental grants play a crucial role in equalizing the fiscal capacity across provinces, ensuring a more balanced provision of public services (Bird & Vaillancourt, 2007; Telford, 2019).

Since the 1980s, many developing nations have embraced market-oriented reforms alongside fiscal decentralization as part of broader efforts to address complex socio-economic and political issues. These initiatives were designed to tackle challenges such as poverty, income and wealth inequality, and uneven regional development. However, the results of these reforms have varied across countries, with some achieving notable progress while others continue to face persistent difficulties. While fiscal decentralization promises enhanced local governance and economic efficiency, it also brings to light concerns over potential exacerbations of fiscal imbalances and governance issues, especially in the context of state borrowing dynamics (Rodden, Eskeland, & Litvack, 2003; Smoke, 2015).

China's journey through economic reform, focusing on reducing state planning and transitioning towards a more market-oriented economy, underscores the intricate relationship between macroeconomic policies and fiscal decentralization. The reforms undertaken since the Mao era, particularly in tax administration and revenue sharing between government levels, reflect an ongoing effort to adapt to a more dynamic economic model. These changes

are critical in addressing the challenges of interregional imbalances and fostering a more equitable and efficient fiscal system (Wong, 2016; Tsui & Wang, 2004).

In Africa, Ghana represents a distinct model of decentralized governance, initiated in 1988 as part of a broader policy aimed at enhancing local governance structures (Bawole & Ibrahim, 2019). In Ghana, the financial structure supporting decentralized governance relies on a combination of locally generated income and substantial support from the national government. Sub-national governments derive their revenue from various sources, including local taxes (22%), service charges (9%), and transfers from the central government, which make up the majority at 69%. This distribution underscores the heavy dependence of local authorities on financial allocations from the central government (Osei-Akoto, Adjei, & Awal, 2021). Rwanda's approach to decentralization serves as another noteworthy example. The country's decentralization strategy is designed to facilitate a comprehensive empowerment of local populations across political, economic, social, administrative, and technical dimensions, aiming to engage them actively in the development and poverty reduction processes (Mukamunana & Kuye, 2020).

In contrast, South Africa's governance structure is delineated by the 1996 Constitution into three tiers: national, provincial, and local. This tripartite system has evolved to enhance the roles and autonomy of provincial and local governments significantly. The Constitution not only empowers these governments with critical service delivery mandates such as water, sanitation, roads, stormwater drainage, and electricity but also provides them with various revenue sources and borrowing rights, barring the financing of recurrent deficits (Pillay & Basson, 2021). Thus, the practice and outcomes of fiscal decentralization exhibit considerable diversity across different nations. The extent of budgetary autonomy, revenue generation capacity, and borrowing authority of sub-national governments, along with the nature of intergovernmental transfers, vary widely. Consequently, the impact of fiscal decentralization

is influenced by a multiplicity of factors including the interplay between national and sub-national governments, the country's developmental stage, and its institutional and political frameworks (Rodríguez-Pose & Gill, 2023).

Kenya's journey toward decentralization started soon after gaining independence in 1963, when the country introduced a bicameral parliament, regional administrations, and provincial assemblies marking its first formal move toward devolved governance (Cheeseman, Lynch, & Willis, 2022). The legislative landscape, however, experienced a shift in 1969 with the abolition of legislative assemblies and regional governments, transforming Kenya into a unitary state (Omenya & Lutta-Mukhebi, 2021). It was not until 2010 that a significant constitutional change reintroduced the concept of devolution, creating a dual government system that includes national and county levels (Nyabola, 2020).

The 2013 general elections marked the formal rollout of devolution in Kenya, leading to the transfer of political, administrative, and fiscal authority to 47 newly created county governments. These counties operate with autonomy while maintaining a cooperative relationship with the national government, as stipulated in the 2010 Constitution (Cheeseman, Lynch, & Willis, 2022). These counties, led by elected governors and county assemblies, possess legislative powers and executive authority vested in the county executive committee (Omenya & Lutta-Mukhebi, 2021). The governance framework ensures a separation of powers, limiting the national president's influence over county governments and establishing the Senate to protect the interests of devolved units (Nyabola, 2020).

Counties have been empowered to manage their personnel, resources, and specific functions such as healthcare and education through both administrative and fiscal decentralization. Yet, their autonomy is not without constraints, as the Constitution mandates collaboration with the national government, facilitated by structures like the Council of Governors and the Intergovernmental Relations Technical Committee (Omenya & Lutta-Mukhebi, 2021).

Despite the overarching legal framework designed to support devolution, the realization of its objectives varies across counties, influenced by the leadership and unique challenges of each region. Meru County is highlighted as a model for effective governance, public engagement, and service delivery, serving as a benchmark for other counties (Cheeseman, Lynch, & Willis, 2022). However, fiscal decentralization challenges persist, with counties facing limitations in revenue generation and fiscal autonomy due to central government controls and the existing legal framework (Nyabola, 2020; Omenya & Lutta-Mukhebi, 2021).

The complexities of county borrowing, constrained by national policies and the Public Finance Management Act, limit counties' financial independence, despite the constitutional provision for borrowing. These regulatory measures are deemed necessary to prevent fiscal irresponsibility that could lead to macroeconomic instability, echoing concerns over counties' fiscal management and revenue generation capabilities (Oluoch, 2021).

1.1.1 Public Service Delivery

Public service delivery is increasingly assessed based on the actual performance experienced by service users, rather than the traditional approach of comparing prior expectations with perceived outcomes (Lee, Lee, & Yoo, 2000). Perceived performance is often tied to evaluative judgments, which are central to how satisfaction is measured. Numerous studies have established a strong correlation between perceived service performance and user satisfaction (Wirtz & Mattila, 2001). It has become a widely accepted metric for evaluating satisfaction across various service sectors (Lee et al., 2000). While service quality frameworks have proven effective in specific sectors, performance-based metrics often offer more nuanced distinctions in service delivery (Phillips, 2018).

In the public sector, service delivery is typically evaluated by comparing customer satisfaction and experience against predefined service standards (Phillips, 2018). With the growing emphasis on decentralization, the responsibility for delivering many public services has shifted

to local or sub-national governments. In many developed nations, these devolved functions encompass key areas such as healthcare, education, social welfare, and public safety (Phillips, 2018). Effective public service delivery is, therefore, a reflection of how well a government entity meets public needs in terms of both the quality and quantity of services provided. Accordingly, local government units are expected to prioritize high standards in service delivery (Sadik-Zada, 2018).

Despite the increasing importance of assessing service delivery at decentralized levels, there remains a significant gap in literature focused on public perceptions of such services. Public sector institutions typically assess service delivery using a combination of indicators, including resource inputs, volume of services rendered (e.g., in schools or hospitals), output quantities (e.g., infrastructure projects completed), cost efficiency, user satisfaction, service quality, and timeliness (Jurlina & Slijepčević, 2010). Nonetheless, focusing on the volume and quality of services delivered can offer a more comprehensive view of how effectively local governments meet public service demands. For decentralization efforts to succeed, specific outcomes must be clearly identified. These may include metrics such as the average time spent in health facilities, school enrollment numbers, expenditure per kilometer of road constructed, and student-teacher ratios (Hadiana, 2020).

1.1.2 Fiscal Decentralisation and Public Service Delivery

Fiscal decentralization is widely recognized as a key mechanism for improving public service delivery and promoting long-term economic development. In Kenya, the decentralization of fiscal authority from the national government to county administrations—established under the 2010 Constitution—marked a transformative step toward enhancing local governance and ensuring that services are more accessible to citizens. Globally, the conversation around fiscal decentralization has highlighted its capacity to boost government accountability and

responsiveness by empowering local authorities (Oates, 2021). Evidence from various regions suggests that devolving financial control can lead to better service provision, as local governments are often more aware of and responsive to the specific needs of their communities (Rodriguez-Pose & Gill, 2023). However, the success of such reforms is frequently dependent on the strength of local institutions and the adequacy of the financial resources available to them.

Across Africa, the implementation of fiscal decentralization has yielded mixed outcomes. In countries where sub-national governments have been granted meaningful fiscal autonomy and sufficient resources, there have been observable gains in service delivery (Musa, Ahmed, & Yahya, 2022). Nonetheless, issues such as limited financial capacity, governance weaknesses, and insufficient oversight mechanisms have hindered progress in many cases. In Kenya, the adoption of fiscal decentralization through the 2010 constitutional reforms and the creation of county governments marked a significant shift in public sector governance (Cheeseman, Lynch, & Willis, 2021). This reallocation of fiscal authority aimed to improve public services by tailoring resource distribution to the unique needs of each locality. Despite these efforts, the results have been varied—some counties have made notable strides in service provision, while others continue to face persistent challenges—highlighting the nuanced realities and implementation hurdles of decentralization in practice (Ogola, 2022).

1.2 Statement of the Problem

Worldwide, centralized governance systems have often been associated with inefficiencies in local public service delivery, as reflected in their underwhelming performance in achieving development goals (Faguet, 2014). In contrast, research suggests that decentralized systems tend to be more attuned to the needs of local populations. However, the effectiveness of service delivery under decentralization largely depends on the specific implementation context (Farooqi, 2013). This variability is often linked to the financial strain caused by limited fiscal

resources, which must be distributed between essential public services and broader local development priorities (Jurlina & Slijepčević, 2010). Consequently, there is a growing need to evaluate the broader impacts of fiscal decentralization on political, social, and economic outcomes (Martinez-Vazquez et al., 2017).

Numerous scholars have examined fiscal decentralization from various perspectives, highlighting the multifaceted challenges it presents (Smith, 2019; Liu & Edwards, 2017; Zhang, Li, & Zhou, 2020; Green, 2021; Thompson, 2022). These studies commonly identify barriers such as legal constraints, institutional weaknesses, and political resistance that can hinder the decentralization process. Within the African context, specific challenges include stagnant legislative reforms, the retention of resources at the national level, inadequate fiscal transfers to local authorities, limited local revenue generation, and weak planning capacities at sub-national levels (Amoah, 2018; Brown & Zhang, 2020). Additionally, Mwangi (2022) points out the lack of empirical research focused on how fiscal decentralization affects service delivery in sub-Saharan Africa, indicating a pressing need for further investigation.

In the Kenyan context, past research has explored various dimensions of fiscal decentralization. These include its role in poverty alleviation (Mwiathi et al., 2018), evaluations of the strengths and weaknesses of decentralized governance systems (Abdumlingo & Mwirigi, 2014; Kobia & Bagaka, 2014), and assessments of the Constituency Development Fund (CDF) and its implementation (Kobia & Bagaka, 2008; Simiyu et al., 2014; Muna, 2016; Kinyanjui et al., 2017). However, issues such as weak governance structures, lack of strategic focus, and insufficient political will have impeded the success of revenue decentralization (Cannon & Ali, 2018). Moreover, previous studies by Wamae (2014) and Mugambi and Theuri (2014) were found to have methodological and contextual limitations, leaving critical gaps in understanding. According to Transparency International (2016), service delivery at the county level in Kenya remains a significant concern, with 53%

of citizens expressing dissatisfaction. In light of these limitations in the existing literature and the contextual challenges, this study aims to investigate the impact of fiscal decentralization on public service delivery in Embu County, Kenya.

1.3 Purpose of the Study

The purpose of this study was to examine the effect of fiscal decentralization on public service delivery in Embu County Kenya

1.4 Objectives of the Study

This research was guided by the following specific objectives;

- i. To determine the effect of own source revenue on public service delivery in Embu County governments in Kenya.
- ii. To examine the effect of expenditure decentralization on public service delivery in Embu County governments in Kenya.
- iii. To evaluate the effect of intergovernmental fiscal transfers on public service delivery in Embu County governments in Kenya.
- iv. To establish the effect of county government borrowing on public service delivery in Embu County governments in Kenya.

1.5 Research Questions

The study sought answer to the following research questions;

- i. What is the effect of own source revenue on public service delivery in Embu County governments in Kenya?
- ii. To what extent does expenditure decentralization affect public service delivery in Embu County governments in Kenya?
- iii. How does intergovernmental fiscal transfers affect public service delivery in Embu County governments in Kenya?

- iv. What is the effect of county government borrowing on public service delivery in Embu County governments in Kenya?

1.6 Significance of the Study

Fiscal decentralization reflects the degree of financial autonomy and accountability granted to local governments. In Kenya, the push for decentralization was largely motivated by the need to replace an overly centralized governance model that was often seen as inefficient and unresponsive. The key objective was to improve the delivery of public services by bringing decision-making closer to the people. While, in theory, fiscal decentralization is intended to enhance governmental efficiency and responsiveness to local needs, its actual outcomes remain debatable. Kyriacou, Muinelo-Gallo, and Roca-Sagalés (2015) caution that, under certain conditions, fiscal decentralization initiatives may produce unintended negative consequences.

This study offers actionable recommendations aimed at strengthening the delivery of public services by county governments in Kenya. The findings, if implemented, could be particularly beneficial to the County Government of Embu by directly addressing persistent challenges in service provision. The insights generated could inform both the executive and county assembly on the effectiveness of fiscal decentralization, guiding legislative and administrative reforms to support improved service outcomes.

Furthermore, citizens are likely to benefit through enhanced access to quality public services. On an academic level, this study contributes to the existing body of knowledge and offers a foundation for future research in the area of county government performance and fiscal governance.

1.7 Scope of the Study

The study was conducted in Embu County, Kenya, covering various administrative units, including sub-counties, and wards. This ensured a comprehensive analysis of fiscal decentralization's effect across different regions within the county. This study examined how fiscal decentralization influences the delivery of public services, with a specific focus on critical sectors including healthcare, education, water and sanitation, infrastructure development, and agricultural support services.

The study covers the period from 2013 to the present, reflecting the operationalization of devolution in Kenya under the 2010 Constitution. This timeline provides an adequate basis for assessing trends and outcomes in public service delivery influenced by fiscal decentralization. A mixed-methods research design was adopted for the study, combining both qualitative and quantitative data collection techniques. The instruments used included structured questionnaires, interviews with key informants, focus group discussions, and an analysis of county financial documents and performance reports.

1.8 Limitations of the Study

Access to comprehensive and reliable data on fiscal decentralization and public service delivery, particularly during the early stages of Kenya's devolution, may be limited. To mitigate this challenge, the study integrated secondary data from reputable sources—including county government publications, the Kenya National Bureau of Statistics (KNBS), and reports from the Controller of Budget—with primary data obtained through surveys, interviews, and focus group discussions. This triangulated approach was employed to enhance the validity and consistency of the findings.

Respondents, particularly government officials, may provide biased or overly positive responses to protect their performance. Similarly, citizens may exaggerate negative experiences due to dissatisfaction with certain services. To mitigate this, the study used

anonymous surveys to encourage honest responses and cross-verify findings from multiple stakeholder groups, such as government officials, civil society, and local citizens.

Fiscal decentralization is a multifaceted concept involving revenue generation, allocation, and expenditure, making it challenging to isolate its effects on public service delivery. The study used a clear conceptual framework to break down fiscal decentralization into measurable components, such as revenue allocation, expenditure patterns, and financial accountability.

Each component was analyzed separately to assess its specific impact on service delivery.

Changes in fiscal policies, political leadership, or governance structures during the study period may affect the relevance of findings. The study documented and accounted for any significant changes in the policy or governance environment during data collection and analysis. Additionally, recommendations were framed to address both current and future scenarios.

1.9 Delimitation of the Study

The scope of this study was confined to Embu County, Kenya, and did not extend to other counties. This localized focus allowed for an in-depth analysis of fiscal decentralization and its impact on public service delivery within the unique socio-economic and political context of Embu County. The research concentrated on evaluating how fiscal decentralization influenced service provision across critical sectors such as healthcare, education, water and sanitation, infrastructure development, and agricultural support services. While other sectors are certainly significant, they were not included in order to maintain clarity and manage the scope within the available resources. The analysis covered the period from 2013, when devolution was implemented in Kenya, to the present. This timeframe has been selected to reflect the post-devolution era and to assess the trends and changes in public service delivery during this period.

1.10 Assumptions of the Study

The study assumed that fiscal decentralization had been implemented uniformly across Embu County, with all wards and sub-counties receiving equitable resources and financial management structures, enabling a consistent evaluation of its impact on public service delivery. It assumed that respondents, including government officials, local leaders, and citizens, would provide honest and objective information regarding fiscal decentralization and public service delivery, ensuring the reliability of primary data collected. The study also assumed that changes in public service delivery outcomes, such as accessibility, quality, and efficiency, were directly influenced by fiscal decentralization policies and practices, with minimal interference from external factors like national government interventions or global economic conditions.



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1.11 Operational Definition of Terms

Accountability: this refers to the obligation of public officials, institutions, and stakeholders in Embu County to transparently manage and report on the use of fiscal resources and ensure they are used effectively to achieve measurable improvements in public service delivery.

County: An administrative, legal, and political unit created under the 2010 Constitution of Kenya, responsible for governance and service delivery within its designated jurisdiction.

Fiscal Decentralization: this refers to the transfer of financial authority and resources from the national government to Embu County government. This includes the allocation of revenue, the ability to generate local income through taxes and fees, and the discretion to plan, budget, and execute expenditures to enhance public service delivery at the county level.

Intergovernmental Fiscal Transfers: refer to the financial allocations made by the national government to Embu County to support the implementation of devolved functions. These transfers include equitable share funds, conditional grants, and other forms of funding intended to bridge resource gaps, promote equitable development, and enhance public service delivery in the county.

Own Source Revenue: this refers to the funds generated directly by Embu County through locally imposed taxes, fees, levies, licenses, and other income-generating activities. These revenues are collected and managed by the county government to finance its operations and improve public service delivery within its jurisdiction.

Service Delivery: This refers to the provision of essential public services by Embu County, such as healthcare, education, water and sanitation, infrastructure development, and agricultural support.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides a comprehensive review of literature that underpins the theoretical and conceptual framework of the study. The review is aligned with the research problem and explores existing theoretical perspectives, as well as empirical and practical issues related to fiscal decentralization and the delivery of public services.

2.2 Empirical Literature

2.2.1 Own Source Revenue and Public Service Delivery

Research has demonstrated that revenue decentralization often follows a unidirectional, top-down model, with a notable exception observed in Spain. In the Spanish context, two distinct frameworks exist: a standard system applied to most regional governments and a unique arrangement for semi-autonomous regions such as the Basque Country and Navarra. While the common system operates under central authority, the autonomous system adopts a bottom-up approach, where local regions are responsible for tax collection and remit a portion to the national government (İrepoğlu, 2016; Faguet, Fox & Pöschl, 2014).

Approaches to revenue decentralization vary significantly across countries. In OECD member states, sub-national governments typically rely on revenue from income taxes, capital gains, and corporate profits—strategic sources that support population retention and business attraction. In contrast, countries like Brazil, India, and Thailand generate sub-national revenues largely through taxes on goods and services (Veiga & Kurian, 2015).

In the African context, South Africa presents a case where provincial governments have almost no independent revenue streams, whereas local governments derive the majority—approximately 84%—of their income from property taxes and service fees (Ahmad & Tanzi, 2002). Uganda follows a different model, with local authorities retaining around 65% of

collected revenue and transferring the remaining 35% to the central government (Okidi & Guloba, 2006). According to Veiga and Kurian (2015), when local governments fund service provision using their own revenue sources, public satisfaction tends to increase. This perception improves governance by enhancing efficiency and accountability.

Research further supports the positive influence of revenue decentralization on public services, particularly in sectors like education and health, across both developed and developing economies (Sow & Razafimahefa, 2015). For instance, Beer-Tóth (2009) explored local fiscal autonomy in Hungary and concluded that limited local tax productivity, due to weak revenue generation efforts, resulted in underperformance by sub-national governments. He also noted a positive correlation between national economic output and tax assignment to local authorities.

Bird (2009) observed that traditional literature primarily identifies property taxes and user charges as the most viable sources of local government revenue. This position is reinforced by Ter-Minassian and Craig (1997) and Llanto (2009), who argued that taxes best suited for local governments are those levied on stable, broadly distributed tax bases with predictable yields. This makes it easier to align revenues with specific performance benchmarks. Similarly, Joumard and Kongsrud (2003) pointed out the inefficiencies and poor resource distribution that can result from limited local taxing authority.

In sub-Saharan Africa, multiple studies have examined how revenue influences local government service delivery. For example, Scott and Enu-Kwesi (2018) found a positive correlation between revenue generation and service quality in Ghana's local governments. Meanwhile, Amusa and Mabugu (2016) studied regional disparities in South Africa using panel data from 234 municipalities. Their findings indicated that revenue decentralization can encourage local efforts to reduce inequality among municipalities. However, they also

emphasized that discrepancies in fiscal capacity can lead to unequal service delivery outcomes, as better-resourced areas tend to perform more effectively.

Lessmann (2009) supported this observation, arguing that wealthier regions with robust tax bases are better equipped to offer higher-quality services, whereas areas with limited fiscal resources often struggle. Amusa and Mabugu's work employed regression analysis and focus group discussions, demonstrating that revenue decentralization can have both beneficial and adverse effects depending on context. These findings reinforce the importance of conducting nuanced, context-specific research on constitutionally established sub-national governments using diverse methodological approaches.

2.2.2 Expenditure Decentralization and Public service delivery

In sub-Saharan Africa, the decentralization of public expenditure at the sub-national level remains relatively limited. This challenge is particularly evident in regions where local governments possess weak revenue-generation authority (Ahmad & Tanzi, 2002). Tidemand (2009) notes that Uganda demonstrates a comparatively higher level of fiscal devolution than many of its regional counterparts. For instance, by 2009, Ugandan local governments were responsible for managing approximately 25% of national public expenditure. In contrast, Tanzania's local authorities handled around 22%, indicating a slower pace in its decentralization efforts. However, as Livingstone and Charlton (2001) observed, local governments in Uganda often overestimate their revenue collection capabilities, resulting in expenditure levels that are not sufficiently supported by actual revenues.

While some studies highlight improved public service efficiency through expenditure decentralization in more developed countries, the same cannot be unequivocally stated for emerging economies. In fact, research by Sow and Razafimahefa (2015) reflects mixed

outcomes, with some emerging nations experiencing negative implications due to weak implementation structures.

Empirical investigations in Eastern Europe further underscore disparities in expenditure decentralization. Dabla-Norris (2006), for example, explored fiscal decentralization in transitional economies and found that countries like Kazakhstan and Georgia lack formal frameworks for assigning expenditure responsibilities to sub-national governments, which hampers their overall performance. Similarly, Lavrov, Litwack, and Sutherland (2002) studied Russia's fiscal federalism and identified ambiguous delegation of authority as a major issue, often resulting in numerous unfunded mandates that burden local administrations.

Research in Asia mirrors these findings. Martinez-Vazquez (2011) examined fiscal decentralization in the Republic of Korea and Thailand, revealing that vague or overlapping expenditure responsibilities had adverse effects on the efficiency of sub-national government units. In contrast, Japan was noted for its clearly defined expenditure mandates, which positively influenced local government performance. Morgan and Trinh (2017) also identified significant issues in intergovernmental relations, such as blurred lines of authority, mismatched responsibilities and powers, and insufficient autonomy in making spending decisions.

In Pakistan, Rauf et al. (2017) conducted a time-series analysis to assess the impact of decentralized expenditure on education. Their findings indicated that assigning expenditure responsibilities to local authorities contributed to increased primary school enrollment rates, improving overall access to education.

Through a range of research methodologies, including panel data analysis as utilized by Martinez-Vazquez (2011), these studies collectively illustrate that the effectiveness of expenditure decentralization in enhancing service delivery is closely linked to how clearly expenditure responsibilities are assigned. This highlights the need for continued research on

sub-national governments, particularly those with constitutionally defined mandates, using diverse methodological approaches.

2.2.3 Intergovernmental fiscal transfers and public service delivery

In many sub-Saharan African nations, fiscal transfers from central governments constitute a significant portion of the revenues received by subnational entities. A study conducted in Uganda revealed that approximately 80% of intergovernmental transfers were conditional grants directed toward priorities established at the national level (Okidi & Guloba, 2006). These conditional transfers have contributed to improved service delivery, as noted by Lewis (2014). Francis and James (2003) also found that Uganda's decentralized governance model relies heavily on these central government transfers. This observation aligns with findings by Lewis and Smoke (2017), who reported that such transfers account for about 85% of local government budgets, making them the primary revenue source for subnational administrations.

In the context of OECD member countries, intergovernmental transfers have shown a tendency to reduce local efforts in revenue generation. Because these transfers serve as a substantial component of public sector financing, local governments often become reliant on them, which is associated with increased administrative spending in their budgets (Schroeder & Smoke, 2003; Lewis & Smoke, 2017). Although these transfers play a vital role in supporting fiscal decentralization (Durham & Verwey, 2012), their long-term sustainability remains questionable. Key concerns include the financial strain placed on central governments, a lack of motivation among local governments to generate their own revenues, and the overestimation of their impact on poverty reduction (Schroeder & Smoke, 2003).

Several comparative studies have examined the nature and outcomes of intergovernmental transfers. For instance, Sudhipongpracha and Wongpredee (2017) analyzed grant systems in

Indonesia and Thailand. Their research showed that Thailand's use of unconditional grants was ineffective in enhancing service provision, whereas Indonesia's general-purpose grant system succeeded in allocating more resources to disadvantaged regions. Supporting this, Shair-Rosenfield, Marks, and Hooghe (2014) described Indonesia's decentralization approach as bold and comprehensive—a “big-bang” strategy—contrasting it with Thailand's slower, more cautious implementation.

In another comparative analysis, McCollum et al. (2018) explored health system governance in Kenya and Indonesia. Their findings revealed that both countries faced similar issues concerning governance and service delivery at the local level. Taken together, these studies, utilizing diverse research methodologies, consistently indicate that intergovernmental fiscal transfers significantly influence service delivery outcomes. This opens avenues for further research into the functioning of constitutionally established subnational governments, allowing for the application of varied analytical approaches.

2.2.4 Sub-national Government Borrowing and Public service delivery

Recent academic discussions and empirical studies have increasingly focused on the implications of borrowing by subnational governments, particularly in relation to infrastructure development and service delivery performance. Subnational borrowing, when effectively structured and regulated, has the potential to provide much-needed capital for local development initiatives. This is especially true for large-scale infrastructure projects that often fall outside the scope of routine budget allocations. According to Tang, Liu, and Li (2023), borrowing by local governments in China has been instrumental in accelerating infrastructure expansion, helping regions meet national targets for urban development and modernization. Their study emphasized that debt-financed projects can fill critical gaps in public infrastructure when managed within a responsible fiscal framework.

Similarly, research conducted by Adeyemi and Afolabi (2021) in Nigeria demonstrated that access to credit by local governments improved their capacity to invest in roads, health facilities, and educational infrastructure. These investments had a ripple effect on the quality of services delivered to the public. However, they cautioned that such benefits are highly dependent on transparent budgeting practices, proper debt management, and oversight mechanisms to prevent misallocation or misuse of borrowed funds. These findings resonate with earlier assertions by Zhou and Zhang (2020), who argued that in emerging economies, local governments often rely on borrowing to bridge financing gaps in capital-intensive sectors, especially where central government transfers are insufficient.

In contrast, several scholars have highlighted the risks and negative externalities associated with subnational borrowing. For instance, Wang and Wang (2022) examined municipal borrowing in China and noted that while borrowing had fueled infrastructure growth, it had also led to the proliferation of "ghost projects" with minimal or no economic return. Their findings underscored the threat of off-budget borrowing through Local Government Financing Vehicles (LGFVs), which not only obscured the true debt position of local governments but also posed systemic risks to financial stability. This is consistent with the observations of Kim and Park (2021), who analyzed borrowing practices in South Korea and found that subnational borrowing, in the absence of clear regulatory oversight, often results in fiscal indiscipline and the crowding out of essential public expenditures.

A significant concern raised in the literature is the potential macroeconomic impact of widespread subnational debt accumulation. Osei and Antwi (2023) conducted a multi-country analysis in sub-Saharan Africa and found that subnational borrowing, especially when directed towards recurrent expenditure rather than capital investment, can undermine macroeconomic stability. Their research indicated that the long-term sustainability of public debt is compromised when borrowed funds are used to cover operational deficits rather than generate

economic value. This perspective aligns with the theoretical framework proposed by Dube and Makoni (2019), who posited that borrowing for non-productive expenditures erodes fiscal space and weakens intergovernmental trust, particularly when repayment obligations fall back on the central government.

Another key issue in the discourse on subnational borrowing pertains to its influence on governance quality and institutional performance. In a study examining the correlation between municipal credit ratings and governance, Jackson and Adomako (2020) found that access to borrowing could incentivize improvements in fiscal transparency and institutional accountability, provided that lending is conditional on performance indicators. However, they also warned that in weak institutional environments, the availability of credit may lead to opportunistic behavior and rent-seeking, ultimately deteriorating service delivery outcomes. In a similar vein, Yilmaz and Shah (2021) noted that subnational borrowing could serve as both a catalyst for development and a source of fiscal vulnerability, depending on the maturity of local financial systems and the clarity of fiscal rules governing debt issuance.

Empirical studies also reflect mixed results regarding the direct impact of borrowing on specific service delivery sectors. Rauf et al. (2017), for instance, utilized time-series data to assess the effect of expenditure responsibilities and borrowing capacity on the education sector in Pakistan. Their analysis revealed a positive association between increased local borrowing and improved enrollment rates in primary schools, suggesting that fiscal autonomy can lead to tangible service delivery gains. However, they emphasized the importance of linking borrowing decisions to specific outcomes, such as education quality and access, rather than using loans to fill general budget gaps. The importance of targeted borrowing is further supported by findings from Mwanza and Kiptoo (2022), who studied Kenya's devolved units and concluded that counties that used borrowed funds for health infrastructure witnessed

improved service reach and citizen satisfaction compared to those that borrowed for wage payments or administrative costs.

Despite these positive examples, concerns about the long-term sustainability of subnational borrowing continue to dominate the literature. According to Musyoka and Owino (2021), Kenyan counties exhibit a growing dependence on borrowing to finance recurring expenses, a practice that contradicts the principles of sustainable fiscal decentralization. They observed that unless local governments establish stronger internal revenue bases, such dependence could lead to debt traps and delayed development. Similarly, Singh and Rajan (2020) explored fiscal stress indicators in Indian states and found that growing debt levels at the subnational level often result in delayed payments to suppliers, postponed projects, and declining public trust in government commitments.

Adding to this complex landscape, studies have pointed out the need for comprehensive fiscal frameworks to regulate subnational borrowing. Onyango and Kilonzo (2022) recommend the implementation of multi-tiered fiscal responsibility laws that set borrowing limits, mandate disclosure requirements, and impose penalties for violations. They argue that these mechanisms are crucial in preventing fiscal excesses and ensuring that borrowed resources translate into measurable service delivery improvements. This is corroborated by Li and Chen (2023), who suggest that decentralized borrowing rights must be accompanied by capacity-building programs to enhance debt management skills at the local level. Without such capacity, they warn, fiscal autonomy can quickly turn into fiscal crisis.

In conclusion, the impact of subnational borrowing on service delivery is highly context-dependent. When strategically aligned with developmental objectives and managed within a robust regulatory framework, borrowing can enhance infrastructure investment and service provision. However, in the absence of strong institutions and fiscal discipline, it can lead to inefficiency, fiscal distress, and poor public outcomes. As such, further research is necessary

to develop country-specific borrowing frameworks that balance fiscal autonomy with accountability, especially in decentralized governance systems where the demand for local services is rapidly growing.

2.2.5 Mediating Effect of Accountability Practices

Empirical research on fiscal decentralization has increasingly highlighted the pivotal role of accountability mechanisms in enhancing public service delivery. The devolution of fiscal responsibilities to subnational governments is often posited to bring governance closer to the people, thereby improving responsiveness and service quality. However, the effectiveness of this decentralization largely hinges on the robustness of accountability structures within local governance frameworks. Kluvers (2003) emphasizes that in subnational governments, local officials are directly accountable to their constituents, which fosters a culture of transparency and responsiveness. This direct accountability is crucial for the successful implementation of new initiatives and for maintaining performance standards. Similarly, Llanto (2009) observes that fiscal decentralization in the Philippines led to significant policy and institutional reforms, enhancing governmental accessibility and responsiveness to citizen needs.

In Colombia, Escobar-Lemmon and Ross (2014) conducted a study using survey panel data to assess perceptions of accountability post-decentralization. Their findings indicate that extensive decentralization positively influenced citizens' perceptions of governmental accountability, particularly in terms of public consultation and information dissemination. This suggests that decentralization can enhance participatory governance when accompanied by effective accountability mechanisms. Bojanic (2018) provides a broader perspective by examining the impact of fiscal decentralization on accountability across Latin American countries. The study reveals that increased fiscal autonomy at the local level correlates with improved accountability and civil liberties over time. This is attributed to the inclusivity fostered by local governance structures, which encourage citizen participation and oversight.

Martinez-Vazquez et al. (2017) further validate these findings by establishing a bidirectional relationship between decentralization and accountability. Their research concludes that enhanced local accountability mechanisms contribute to better governance outcomes, creating a virtuous cycle that reinforces both decentralization and service delivery effectiveness.

However, the relationship between fiscal decentralization and accountability is not universally positive. Ochieng (2017) investigates Kenya's devolved health sector and identifies challenges arising from ambiguous decentralization of responsibilities. This ambiguity hampers coordination and adversely affects health service provision, highlighting the need for clear delineation of roles and robust accountability frameworks.

Moreover, Sow and Razafimahefa (2015) point out that political and institutional factors, such as corruption, can undermine the efficiency of public services in decentralized systems. Without stringent accountability measures, fiscal decentralization may inadvertently facilitate rent-seeking behaviors, detracting from service delivery objectives. In the context of sub-Saharan Africa, the implementation of fiscal decentralization presents unique challenges and opportunities. The International Monetary Fund (2018) notes that while fiscal decentralization can enhance service delivery and reduce regional disparities, its success is contingent upon the establishment of strong accountability frameworks. These frameworks are essential for monitoring local performance and enforcing fiscal discipline among subnational governments. The Brookings Institution (2021) echoes this sentiment, emphasizing that fiscal decentralization can improve domestic resource mobilization and governmental accountability if accompanied by adequate institutional capacity and transparency measures. Without these, decentralization may lead to fragmented service delivery and inefficiencies.

In conclusion, empirical literature underscores that while fiscal decentralization holds the potential to enhance public service delivery through increased accountability, its success is not guaranteed. The effectiveness of decentralization initiatives is heavily reliant on the clarity of

decentralized responsibilities, the strength of local institutions, and the presence of robust accountability mechanisms. Future research should focus on identifying best practices for implementing accountability frameworks that can support the objectives of fiscal decentralization, particularly in the diverse contexts of sub-Saharan Africa.

2.3 Theoretical Literature Review

2.3.1 Theory of Fiscal Decentralization

The theoretical underpinnings of fiscal decentralization stem from foundational contributions by Tiebout (1956), Musgrave (1959), and Oates (1972), emphasizing the optimal and efficient allocation of public sector resources. These early theorists contended that decentralization fosters transparency and enhances allocative efficiency. The initial framework, commonly referred to as the first-generation fiscal federalism theory, posits that local governments are more adept than national authorities at catering to local needs due to their closer institutional and geographical ties (Gemmell et al., 2013).

According to the principles of fiscal federalism, each tier of government should efficiently deliver public goods and services within its jurisdiction (Ryan & Woods, 2015). The theory has evolved into two strands: the first-generation theory, which is normative in nature and assumes public officials prioritize social welfare (Musgrave, 1959; Oates, 1972), and the second-generation theory, which accounts for the political motivations and institutional constraints affecting government behavior (Prakash, 2012). The former largely focuses on devolving spending responsibilities to lower tiers while centralizing revenue collection to maintain fairness and efficiency in public service delivery (Rubinfeld, 1987; Weingast, 2009; Prakash, 2012).

Conceptually, fiscal decentralization is believed to improve allocative efficiency by promoting diversity in service provision, aligning services more closely with citizens' varying preferences (Akin, Hutchinson & Strumpf, 2005). Local governments are better positioned to meet

community-specific needs due to their proximity, making decentralized governance more responsive than centralized systems (Oates, 2005). Moreover, the ability of individuals to relocate based on their preferences—highlighted in Tiebout’s (1956) model—further underscores the benefits of decentralized services. Oates (2005) also suggested that decentralization offers a valuable platform for policy experimentation.

While Weingast (2009) argued against a strict division between the two theoretical generations, literature rooted in the first-generation perspective remains practically significant. In contrast, the second-generation framework assumes that political actors may prioritize institutional agendas over societal welfare (Oates, 2005; Garzarelli, 2004; Montinola, Qian, and Weingast, 1995). Information asymmetry in governance—where some actors have more insight into preferences, costs, or efforts than others—can undermine optimal service delivery (Oates, 2005).

This asymmetry necessitates the division of roles across various levels of government. Musgrave (1965) advocated for tax authority to remain at the central level, emphasizing its broader role in income redistribution and macroeconomic oversight. He also proposed a systematic framework aligning governmental functions with appropriate fiscal tools (Oates, 1999). His three core fiscal functions—allocation, redistribution, and stabilization—are used to gauge sub-national governments’ engagement in fiscal policy (Schneider, 2006).

Oates (1972) emphasized that variations in local demands and costs justify assigning service provision to the lowest competent level of government, as it enhances efficiency. This localized approach encourages population movement toward areas aligned with individual preferences (Martinez-Vazquez et al., 2017). Therefore, tax responsibilities should be distributed based on efficiency and manageability: local governments should handle property-related taxes, while the central government should oversee income and corporate taxes due to their redistributive capacity and broader economic implications (Farooqi, 2013). The central

government should also provide services with national significance or those spanning multiple jurisdictions, and ensure minimum performance standards, leaving localized services to sub-national entities (Prakash, 2012).

Local governments, however, may generate externalities when they fail to consider impacts beyond their borders, leading to inefficiencies in service delivery (Oates, 2005). This situation justifies central government involvement through compensatory grants to address spillover effects. Intergovernmental transfers thus play a vital role in ensuring equitable resource distribution and enhancing service delivery (Veiga & Veiga, 2013). Nonetheless, Bahl (2008) cautioned that devolving expenditure responsibilities does not always result in welfare improvements, especially where externalities exist or economies of scale are necessary. Resource limitations may hinder local governments from executing basic tasks such as organizing meetings or recruiting staff (Crawford & Hartmann, 2008). Consequently, local authorities must be empowered to determine service scope, recipients, and quality levels (Bahl, 2008).

Despite its merits, the theory has notable limitations. Political agendas often distort economic policy outcomes, as politicians typically prioritize re-election over public welfare, thus destabilizing decentralization efforts (Hatfield, 2006). Furthermore, regional differences in financial capacity and preferences can cause disparities in service efficiency (Martinez-Vazquez et al., 2017). Fiscal decentralization may also lead to reduced accountability and transparency, worsening governance challenges (Fukasaku & De Mello, 1999; Prud'homme, 1995; World Bank, 1999). In low-income countries, deeply entrenched centralist systems and a lack of transparency have obstructed sustainable decentralization (Shleifer & Vishny, 1993). Increased proximity between local officials and citizens can, paradoxically, elevate corruption risks due to weak oversight mechanisms (Tanzi, 1995).

Nevertheless, the framework remains a vital lens for analyzing the connection between decentralization, accountability, and service quality. Bahl (1999) highlighted that greater transparency and decentralized governance can bolster political accountability, compelling officials to make more judicious spending and tax decisions, thereby enhancing service outcomes. Ultimately, fiscal decentralization is seen as a mechanism to foster citizen participation, strengthen local accountability, and improve transparency in public policy (Putnam, Leonardi & Nanetti, 1994; Ebel & Yilmaz, 2002).

2.3.2 Agency Theory

Agency Theory, also referred to as the principal-agent framework, was initially introduced by Stephen Ross (1973) to explore the dynamics between principals and agents, particularly in contexts involving delegation and oversight. This theory assumes that principals engage agents through contractual arrangements to reduce operational costs and leverage specialized expertise (Van Slyke, 2006). Within this relationship, principals define specific goals, and agents—endowed with the necessary skills—are tasked with achieving them. Central to this theory are concepts like asymmetric information, adverse selection, and moral hazard, which shape the interactions between the two parties (Van Slyke, 2006).

Although originally developed within the corporate sphere, Agency Theory has proven valuable in analyzing public sector arrangements, especially under decentralized governance. It serves to conceptualize the interplay among different tiers of government officials, local politicians, and the electorate (Gailmard, 2012). The model enables institutions to evaluate their internal arrangements and determine how effectively agents can be incentivized to act in accordance with institutional goals. It becomes especially relevant in assessing how local officials align their actions with both public interests and the political objectives of their superiors (Grant & Keohane, 2005; Ashworth & Skelcher, 2005; Bovens, 2006).

The theory operates under the presumption that public institutions either out of altruism or democratic pressures aim to enhance societal welfare (Oates, 2005). In this context, central governments function as principals, responsible for shaping national policies and overseeing intergovernmental fiscal relations. Conversely, local governments, acting as agents, implement these policies while often holding informational advantages about local conditions that the central government cannot easily access (Oates, 2005).

This imbalance contributes to what is known as "administrative federalism," wherein sub-national units function more as executors of centrally defined mandates than autonomous entities (Inman, 2003). Information asymmetry arises because local authorities are better positioned to collect and interpret local data. When the central government undervalues this localized knowledge, it leads to inefficiencies and inter-jurisdictional externalities, as noted by Cremer, Estache, and Seabright (1996). These externalities manifest when localized benefits or costs spill over into neighboring jurisdictions, undermining redistributive efforts (Padovano, 2004). Additionally, legislators—either at the national or local levels—may form coalitions to secure benefits for their respective regions. Such alliances can distort budgetary allocations and exacerbate inefficiencies, thereby generating negative spillovers across jurisdictions (Besley & Coate, 2003).

In another application, citizens themselves can be viewed as the principal, with elected officials serving as agents. The "common agency" model, as described by Tommasi and Weinschelbaum (2003), addresses the challenge of holding public officials accountable through electoral mechanisms. In this framework, elections serve as incomplete contracts, where citizens attempt to incentivize performance through voting. Poor governance or incompetence by officials diminishes the contract's effectiveness and questions whether electoral outcomes truly reflect public welfare.

Despite its utility, the theory faces certain critiques. Enhanced monitoring—through frequent, formal mechanisms—can help align agent actions with principal expectations, potentially reducing agency-related issues (Frey, 1993). However, in the public sector, establishing clear performance benchmarks for public services can be difficult, making it hard to quantify the scope of the agency problem (Kamara, Ofori-Owusu, & Sesay, 2012).

Critics have also highlighted that Agency Theory tends to portray agents as inherently self-interested, disregarding their potential loyalty, professional ethics, or institutional identification (Perrow, 1986; Donaldson, 1990; Kayode et al., 2013). This one-sided portrayal neglects the possibility of principal opportunism. Moreover, in politically charged environments, inducements offered by politicians can influence public opinion, leading to a downplaying of agency-related issues. Such inducements may pacify citizens temporarily but often result in transparency and accountability challenges (Mewes, 2011).

2.3.3 New Public Management Theory

New Public Management (NPM) emerged as a response to the perceived shortcomings of traditional public administration and the growing demand for greater accountability and efficiency in the public sector (Hood, 1995). Originating in the 1980s, NPM gained momentum as governments faced increasing criticism over bureaucratic inefficiencies, economic crises, and widespread dissatisfaction with public service delivery (Alonso, Clifton, & Díaz-Fuentes, 2015; Keisu, Öhman, & Enberg, 2016; Willis et al., 2016). It represented a major shift in public sector management, emphasizing the adoption of private sector practices to restructure how public services were provided (Farooqi, 2013; Hood, 1991a; Savoie, 2003). At its core, NPM is built on a set of principles and values inspired by corporate managerialism. It calls for the decentralization of authority and responsibilities through the fragmentation of large bureaucracies into smaller, autonomous units. These semi-independent entities, such as

executive agencies and public corporations, operate with increased financial and operational freedom to foster flexibility and efficiency (Farooqi, 2013). This decentralization is a hallmark of the NPM approach, aiming to enhance public service responsiveness and accountability.

The framework aims to resolve inefficiencies in public service delivery by streamlining government functions and shrinking administrative structures. Advocates of NPM emphasize reducing the size of government, cutting operational costs, and improving overall effectiveness (Pollitt & Bouckaert, 2003; Van de Walle & Hammerschid, 2011). These reforms have introduced new management styles, performance benchmarks, and hybrid models of governance across various global contexts (Dunleavy & Hood, 1994; Flynn, 2002; Barzelay, 2002; Christensen & Laegreid, 2002; Alonso et al., 2015). However, the adoption and outcomes of these reforms differ from country to country due to variations in institutional frameworks, political traditions, and historical experiences (Ferlie et al., 1996; Demmke, 2007; Pollitt & Bouckaert, 2011).

NPM also integrates frontline staff into the process of service delivery, promoting a more participatory form of governance rooted in dialogue and deliberative democracy (Fusco, Pavone, & Ricci, 2024). It shifts the public sector from a rigid, top-down administrative system to a more flexible, performance-oriented, and market-driven model. This transformation involves changes in organizational culture, stakeholder engagement, institutional capacity, and governance structures (Farooqi, 2013). For instance, efforts to implement NPM reforms in France's health sector demonstrated mixed results, highlighting the limitations of applying private-sector models to complex public services (Lončar, 2015).

Through decentralization, NPM seeks to promote cost-effectiveness and improve service delivery by breaking down large institutions into leaner, more agile units that operate closer to their stakeholders. These entities adopt tools like professional management practices, performance evaluation, and contractual service delivery mechanisms to increase efficiency

(Fusco et al., 2024). However, the success of such reforms often depends on a country's administrative culture, legal norms, and societal expectations (Dan & Pollitt, 2015). NPM emphasizes performance management and customer-oriented service delivery, encouraging government institutions to engage with the public through mechanisms such as feedback systems, customer satisfaction surveys, and complaints procedures. It views the relationship between government and its citizens both as a service-provider to client interaction and a democratic accountability relationship governed through representative institutions (Farooqi, 2013; Asif & Dawood, 2017).

Despite its wide application, NPM has been the subject of significant criticism. Bačlija (2010) outlines three major issues. Firstly, NPM is seen as lacking substantive content, often relying on selectively borrowed management tools from the private sector without a coherent theoretical basis. Secondly, evidence has shown that NPM has not consistently delivered on its promise to reduce public sector costs, which undermines one of its core goals (Hood, 1991; Hood & Dixon, 2015). Thirdly, the model is accused of serving elite interests rather than genuinely improving public service delivery, with some suggesting it has been used as a mechanism for consolidating power rather than promoting efficiency.

Nonetheless, NPM remains a relevant theoretical lens for examining public administration, particularly at the decentralized level. It offers insights into how efficiency, accountability, and responsiveness in service provision can be enhanced through structural and managerial reforms.

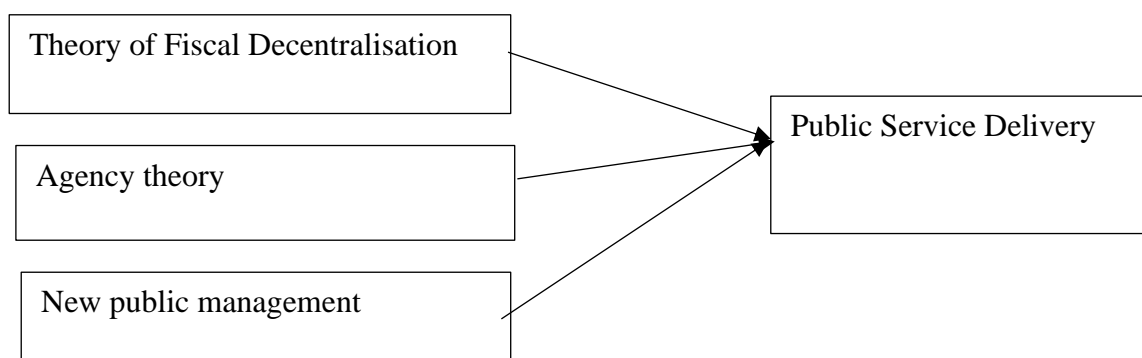


Figure 1: Theoretical Framework

Source: Researcher (2025)

2.4 Conceptual Framework

Conceptual framework demonstrates how the researcher conceptualized the relationships between the study variables in a schematic manner. This study examines the relationship between key fiscal decentralization components namely own source revenue generation, expenditure decentralization, intergovernmental fiscal transfers, and county government borrowing—and the effectiveness of public service delivery at the county level. These elements collectively represent the independent variable. Public service delivery, as the dependent variable, reflects the outcomes of decentralized fiscal practices. Furthermore, the research investigates the mediating role of accountability mechanisms in this relationship, exploring how transparency, oversight, and responsibility practices influence the extent to which fiscal decentralization impacts service delivery.

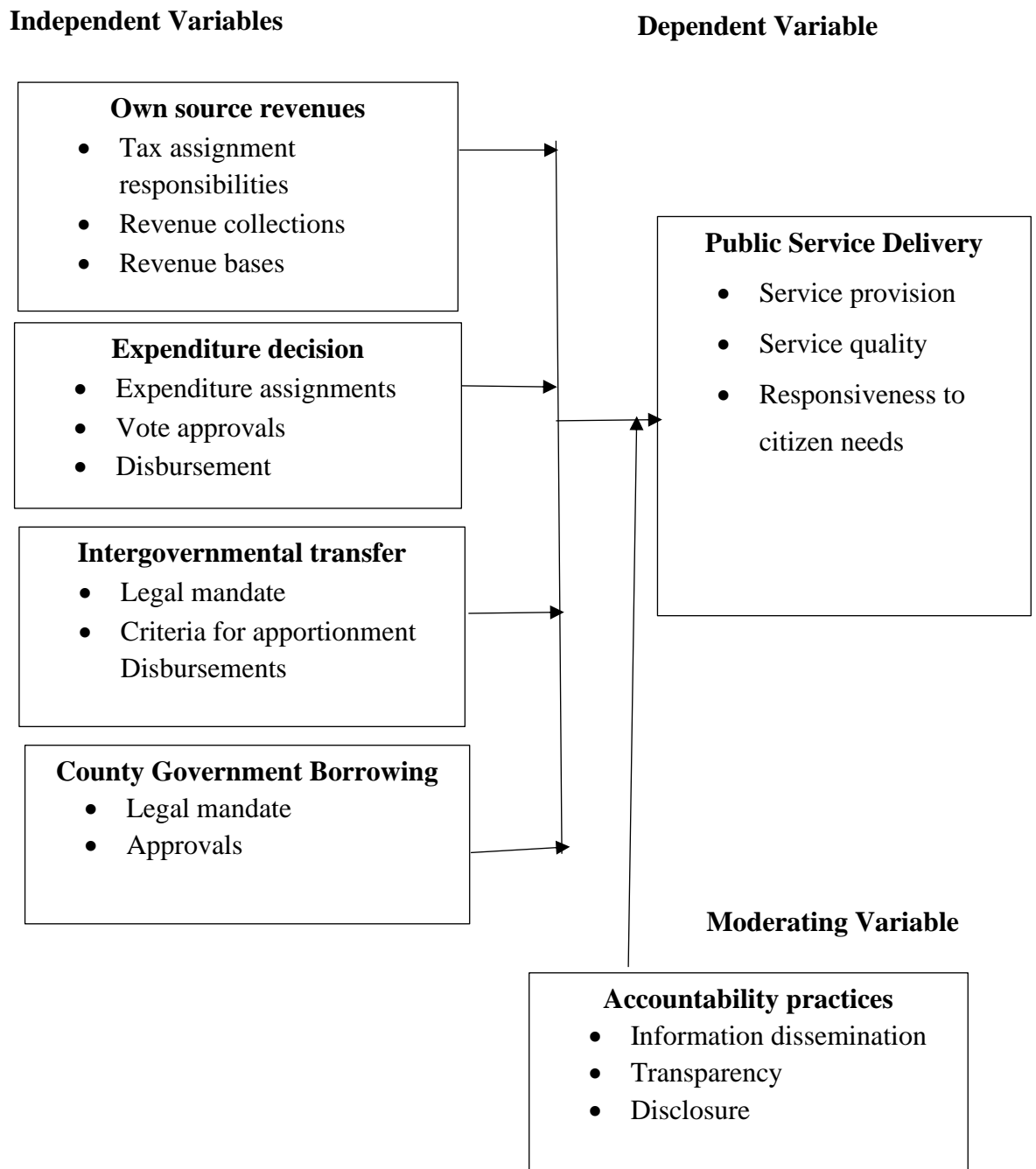


Figure 2: Conceptual Framework

Source: Researcher (2025)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology adopted for the study. It covers the research design, the target population, the determination of sample size, and the tools and procedures used for data collection. Additionally, it discusses the strategies employed to ensure the validity and reliability of the research instruments. The chapter also details the data analysis methods applied and addresses the ethical considerations observed throughout the research process.

3.2 Research Design

The study adopted a descriptive research design, which is appropriate for detailing the characteristics of specific phenomena and developing a comprehensive profile of variables, events, and conditions (Cooper & Schindler, 2014). This approach was particularly relevant given the study's objective of analyzing fiscal decentralization in the context of Kenya's post-constitutional reform period. By focusing on the contrast between the theoretical ideals of fiscal decentralization and the current practices being implemented, the study sought to capture the evolving nature of devolution in the country. Given that decentralization in Kenya is still in its formative stages, the descriptive design enabled a thorough examination of its distinctive features. As noted by Collis and Hussey (2021), descriptive research often serves as a precursor to explanatory studies, offering a foundational understanding rather than definitive causal conclusions. In this context, the study assessed perceptions regarding the influence of fiscal decentralization on public service delivery to illustrate the emerging impacts of the devolution process.

3.3 Location of the study

This research took place in Embu County, selected based on its absorption rate of funds allocated in the 2020/2021 fiscal year. This rate serves as an indicator of how effectively the

county government delivers public services. A lower absorption rate suggests less efficiency and potentially lower satisfaction with public service delivery. Conversely, a higher absorption rate indicates better resource utilization and efficiency, implying effective service delivery and higher satisfaction levels among the public. Embu County has a population of 608,599 people, with a population density of 216 individuals per square kilometer (KNBS, 2019). The county has four (4) sub counties and twenty (20) electoral wards, The County's economy is primarily agrarian, focusing on crops such as maize, sorghum, and green grams, along with cash crops like coffee, tea, miraa (ghat), and macadamia nuts. Additionally, honey, beef, and mutton contribute to the economic activities of the county.

3.4 Target Population

The target population comprised of opinion leaders from Embu County who are directly involved in the decentralization, these included county administrators at the county and subcounty levels, Members of the county assembly. The study also targeted the representatives of beneficiaries of the public service. To determine the target population, the number of participants allocated to each sub-county was multiplied by the total number of sub-counties, as presented in Table 1. According to the County Public Participation Departments, each sub-county engages a specific set of opinion leaders, comprising one male and one female representative from each of the following categories: youth, persons with disabilities (PWDs), political leaders, and civil society leaders. Additionally, each sub-county includes two women leaders, three business representatives, and three religious leaders—representing Episcopal, Pentecostal, and Muslim faiths. This configuration results in a total of 16 opinion leaders per sub-county (County Government of Embu, 2023).

The inclusion of opinion leaders in this study is justified by Chaudhry and Irshad (2013), who emphasized that such individuals are typically well-informed and hold influence within their communities, particularly on matters relevant to the research focus. In addition to the opinion

leaders from each sub-county, the study also incorporated nine directors from the county government of Embu, drawn from the departments of finance, budgeting, and planning (or their equivalents), serving as key informants. Consequently, the overall target population for this research amounted to 98 participants, as detailed in Table 1.

Table 1: Target Population

Categories	Target population	Percent
County administrator	1	1.0
Subcounty administrators	4	4.1
Member of county assembly (MCA)	20	20.4
directors finance, budget, and planning departments	9	9.2
Youth, Political & Civil Society, Women, Business and Religious	64	65.3
Total	98	100.0

Source: County Government of Embu CIDP (2023 – 2028)

3.5 Sampling Procedures and Techniques

This study adopted a multistage sampling approach, which incorporates multiple sampling techniques to enhance the representativeness and reliability of the sample. In the first stage, purposive sampling was used to select county administrators, Members of County Assembly (MCAs), and directors from the finance, budget, and planning departments. These individuals were chosen based on their specialized knowledge and experience relevant to the study's focus. As noted by Muna (2016), purposive sampling is suitable for facilitating in-depth investigation, while Burns and Grove (2010) highlight its effectiveness in generating nuanced insights and informed judgments.

In the second stage, the study applied proportionate stratified random sampling to select opinion leaders. The opinion leaders were categorized according to distinct roles and

attributes. Based on information obtained from the respective sub-counties, a total of 64 opinion leaders were identified across four sub-counties. Since this number was manageable, the study employed a census approach, thereby including all identified opinion leaders as respondents.

3.6 Sample Size

Table 2: sample size

Categories	Target population	Sample size
County administrator	1	1
Subcounty administrators	4	4
Member of county assembly (MCA)	20	20
Directors finance, budget, and planning departments	9	9
Youth, Political & Civil Society, Women, Business and Religious	64	64
Total	98	98

Source: Researcher (2025)

3.7 Construction of Research Instruments

The data collection tool for study comprised of questionnaire and interview guide.

3.7.1 Questionnaire

The primary data collection instrument used in this study was a questionnaire, which comprised both closed-ended and open-ended questions. Section A of the questionnaire focused on collecting demographic information from the respondents, while Sections B through F contained items related to the study variables. These sections were structured based on the conceptual framework and aligned with the specific objectives of the study. The use of a questionnaire was deemed suitable as it facilitated the efficient collection of data from a large number of respondents within a relatively short period. Moreover, questionnaires are

conducive to statistical analysis, provide consistency in responses, and are well-suited for descriptive research designs.

3.7.2 Interviews Schedule

Interviews involve gathering data through spoken questions and verbal responses, either conducted in person or via telephone. One of the key strengths of interviews lies in the researcher's ability to guide the flow and structure of the conversation, ensuring that questions are asked in a specific order and context. Additionally, interviews allow for probing and follow-up questions, enabling deeper exploration of issues aligned with the study's objectives. In this research, interview schedules were utilized to collect data from directors in the finance, budget, and planning departments, as these participants were considered key informants with in-depth knowledge of the study area.

3.8 Pilot Testing

A pilot study was conducted to refine the research instruments, improve their reliability, and reduce potential errors during both data collection and analysis. The pilot exercise also helped ensure that the questionnaire items were clearly worded and objectively framed, thereby enhancing the overall quality and effectiveness of the data collection process. As noted by Saunders et al. (2009), insights gained from a pilot study should inform adjustments to the instrument to ensure it reliably captures the variables under investigation. For this study, the pilot was carried out in Tharaka Nithi County, where ten questionnaires were distributed and three directors were interviewed. According to Lancaster, Dodd, and Williamson (2010), an appropriate pilot sample should range between 1% and 10% of the total sample size, which supports the approach used in this study.

3.9 Testing for Validity and Reliability of the Research Instruments

3.9.1 Validity of the Instrument

Validity focuses on three fundamental aspects: the alignment between a concept and its corresponding measurement (Depoy & Gitlin, 2011), the accuracy in capturing cause-and-effect relationships, and the applicability of findings to broader contexts (Sekaran & Bougie, 2010). To ensure the validity of the research instruments, the study conducted content, criterion-related, and construct validity assessments.

Content validity was established through domain specification, a comprehensive review of relevant literature and empirical research, and the formulation of measurement indicators based on prior studies (Depoy & Gitlin, 2011). Following this, construct validity was evaluated using exploratory factor analysis, as recommended by Cooper and Schindler (2014), Garson (2013), and Sekaran and Bougie (2010). Convergent validity was considered satisfactory if items demonstrated standardized loading estimates of at least 0.5 and an average variance extracted (AVE) of 0.5 or higher. Additionally, a composite reliability (CR) value of 0.7 or above was used to confirm internal consistency and eliminate redundancy across constructs, in line with the guidelines by Hair et al. (2010).

3.9.2 Reliability of the Instrument

Reliability refers to the extent to which an instrument yields consistent and statistically significant results across different contexts and over time (Denzin & Lincoln, 2003). It also reflects the replicability of findings when the same methodology and tools are applied (Saunders et al., 2013; Kothari, 2011). However, achieving reliability can be hindered by various types of measurement errors, including those arising from the observer or the respondent (Robson, 2002). To enhance the reliability of the instrument in this study, research assistants received prior training to minimize external variability (Saunders et al., 2013). The

internal consistency of the instrument was evaluated using Cronbach's alpha coefficient. A Cronbach's alpha value of 0.7 or higher was considered an acceptable threshold for reliability (Field, 2009; Cooper & Schindler, 2014), and this criterion was adopted in the study to confirm the instrument's suitability for confirmatory analysis.

3.10 Data collection methods and procedures

Upon receiving the necessary clearance from the Directorate of Postgraduate Studies at Mount Kenya University, the researcher proceeded to obtain a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). A preliminary visit was conducted in Tharaka Nithi County to facilitate the piloting phase of the study. Following this, the researcher visited the County Commissioners' offices in Embu County to secure the relevant administrative approvals for data collection.

After receiving all required authorizations, the researcher recruited and trained three research enumerators. The training covered essential aspects such as ethical guidelines, formal data collection procedures, and proper engagement with respondents. Data collection activities were conducted across three counties, beginning with direct engagement by the researcher, followed by questionnaire distribution and interviews facilitated by the research assistants. The entire data collection exercise was carried out between July and September 2024.

3.11 Data Analysis Techniques and Procedures

Qualitative data obtained from open-ended questionnaire responses and interviews was analyzed using both inductive and deductive approaches. Deductive methods included explanation building and pattern matching, while inductive techniques involved narrative and template analysis, as suggested by Saunders et al. (2009). The interpretation of qualitative data

largely depended on the researcher's ability to structure and categorize insights through narrative techniques.

Given the unstructured nature of qualitative data, there is no universally fixed procedure for its analysis. However, the process typically includes three core stages: condensing, grouping, and sequencing meanings to reveal patterns and themes. Narrative and thematic analysis were employed to identify and interpret core messages, allowing for the organization of data into key themes and relationships among them (Kombo & Tromp, 2011).

For quantitative analysis, data preparation included checking for completeness, correcting errors, and addressing omissions. The responses were then coded and entered into a statistical software package to facilitate analysis. Where data was missing completely at random (MCAR), the list-wise deletion method was used, in line with Cooper and Schindler's (2014) recommendation. Descriptive statistics such as means, standard deviations, and frequencies were utilized to summarize the data. Inferential statistics, specifically correlation and regression analysis, were applied to examine the relationships among the study variables.

3.12 Ethical Considerations

Participation in the study was entirely voluntary, and all respondents were clearly informed of their right to accept or decline involvement at any stage. In instances where individuals chose not to participate, suitable replacements were identified. Prior to data collection, informed consent was obtained from all prospective participants, ensuring that they fully understood the purpose and nature of the study.

Confidentiality of all respondent information was strictly maintained, and full disclosure regarding the study's objectives and procedures was provided. Ethical standards were upheld throughout the research process. Formal approval was obtained from the Directorate of Postgraduate Studies, the National Commission for Science, Technology and Innovation

(NACOSTI), and relevant local authorities, including County Secretaries, County Commissioners, and Directors of Education in Embu County. Before conducting interviews or distributing questionnaires, verbal consent was sought from all participants, reinforcing their right to privacy and the confidentiality of their responses.



CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the findings of the study alongside a comprehensive discussion of the results. Data analysis was organized in alignment with the structure of the questionnaire and interview schedule. The chapter begins with an overview of the response rate and the socio-demographic characteristics of the participants, followed by a presentation of the key features of fiscal decentralization. It then outlines the descriptive statistics of the main study variables. Finally, the chapter concludes with inferential statistical analyses to examine the relationships among the variables under investigation.

4.1 Results for Pilot Study

The study sought to evaluate the reliability of the research instruments, with the findings summarized in Table 3. Reliability was assessed using Cronbach's alpha coefficient, where a value of 0.70 or higher is generally considered acceptable for confirming internal consistency (Field, 2009; Cooper & Schindler, 2014). In this study, a threshold of ≥ 0.70 was adopted to confirm that the instruments were suitable for generating dependable and consistent data for further analysis, particularly for confirmatory purposes (Cooper & Schindler, 2014).

Table 3: Reliability Test

	Variables	Item	Cronbach Alpha Values
Valid	Own Source Revenue	8	0.827
	Expenditure Decentralisation	7	0.812
	Intergovernmental Fiscal Transfers	7	0.796
	County Government Borrowing	7	0.804
	Public Service Delivery	8	0.794
	Average		0.8066

Source: Researcher (2025)

The Cronbach alpha coefficient results presented in Table 3 for the various items ranged from 0.794 to 0.827. Consequently, the instrument achieved the advised value threshold above 0.7, affirming that the questionnaire had the acceptable measurement and scale.

4.2 Response Rate

The study aimed to determine the response rate based on the number of questionnaires that were successfully completed and returned by the respondents. The findings related to the response rate are presented in Table 4.

Table 4: Response Rate

	Responses	Frequency	Percent
Valid	Respondent	94	95.9
	Non – Respondent	4	4.1
	Total	98	100.0

Source: Researcher (2025)

Table 4 demonstrates a substantial response rate. A total of 94 responses were obtained, with a response rate of 95.9%. Njeru (2013) posits that a response rate of 50% to 75% is enough for data analysis; hence, the observed response rate of 95.9% was deemed exceptionally favorable and advantageous for deriving findings in the study. This pertained to the data collection methodologies, wherein the researcher pre-informed potential survey participants, employed a self-administered questionnaire, and subsequently selected them. Subsequent calls were conducted to elucidate inquiries from the questionnaires.

4.3 Respondents' Demographic Characteristics

The study sought to establish demographic characteristics of the respondents which included respondent gender, age distribution, educational attainment, and duration of resident in the county.

4.3.1 Gender

The study aimed to analyze the gender distribution of the respondents who participated in the research. The results detailing the gender composition are presented in Table 5.

Table 5: Respondents gender

		Frequency	Percent
Valid	Male	52	55.3
	Female	42	44.7
	Total	94	100.0

Source: Researcher (2025)

As shown in Table 5, the findings revealed that 55.3% of the respondents were male, while 44.7% were female. This indicates a relatively balanced gender representation in leadership roles within the counties, suggesting ongoing efforts toward gender inclusivity in public leadership positions.

4.3.2 Age of the Respondents

The research sought to establish distribution of the respondents as per the Age. The results are provided in Table 6.

Table 6: Age of the Respondents

		Frequency	Percent
Valid	21 – 30 years	33	35.1
	31-40 years	35	37.2
	41-50 years	23	24.5
	51 years and above	3	3.2
	Total	94	100.0

Source: Researcher (2025)

In terms of age group distribution table 6 shows that, 35.1 percent of respondents were aged 21 to 30, while 37.2 percent fell within the 31 to 40 age range. Additionally, 24.5 percent were between 41 and 50 years old, and 3.2 percent were 51 years or older. The results indicate that the majority of respondents fall within the 21 to 40 age brackets. This aligns with the national demographic trends, which show that approximately 40% of the Kenyan population is between the ages of 20 and 50 (Government of Kenya, 2019).

4.3.3 Education Level

The study sought to establish respondent's highest education level. The results are provided in table 7.

Table 7: Education Level

		Frequency	Percent
Valid	Primary	4	4.3
	Secondary	7	7.4
	Certificate	12	12.8
	Diploma	19	20.2
	Bachelor	46	48.9
	Postgraduate	6	6.4
	Total	94	100.0

Source: Researcher (2025)

From the results displayed in table, the educational attainment distribution indicates that 48.9 percent of respondents achieved undergraduate education, 20.2 percent hold diplomas, 12.8 percent possess certificates, 6.4 percent completed graduate training, and 4.3 percent attained primary education. This suggests that the majority of respondents possessed the requisite educational qualifications and were capable of providing educated comments.

4.3.4 Residency of the Respondents

The research instrument included questions aimed at establishing the residency status of respondents, as this information was critical in assessing their familiarity with the study area's geographical and administrative context. The findings related to respondents' residency are presented in Table 8.

Table 8: Residency of the Respondents

		Frequency	Percent
Valid	Below 10 years	8	8.50
	11 – 20 years	11	11.70

21 – 30 years	34	36.20
31 – 40 years	18	19.10
41 - 50	22	23.20
51 years and above	1	1.10
Total	94	100.0

Source: Researcher (2025)

Based on the results presented in Table 8, 36.2% of people had lived in their sub county for 21–30 years, 23.4% for 41–50 years, 19.1% for 31–40 years, 11.7% for 11–20 years, and 9.6% for less than 10 years or more than 50 years. Nearly eighty percent of those who took the survey had been long-term residents of their respective sub counties (ranging from 20 to 50 years), giving them an intimate familiarity with the demographics and lifestyle preferences of county residents.

4.4 Descriptive Analysis

This section presents the descriptive analysis and discussion of findings related to fiscal decentralization and public service delivery in Embu County, Kenya. A 5-point Likert scale was used to gauge respondents' levels of agreement with various statements, ranging from 1 – Strongly Disagree (SD), 2 – Disagree (D), 3 – Neutral (N), 4 – Agree (A), to 5 – Strongly Agree (SA). To summarize and interpret the responses, the study utilized key measures of central tendency, specifically the mean and standard deviation. These statistical tools were instrumental in condensing large volumes of data into interpretable numerical summaries, which are presented in the subsequent tables.

4.4.1 Descriptive Statistics on own source revenue

The first objective of the study was to assess the impact of own source revenue on public service delivery within the Embu County government in Kenya. This variable was conceptualized to encompass several key processes, including the extent of citizen

involvement in revenue-related consultative meetings, the presence of a legal framework guiding the imposition of local levies and taxes, and the overall efficiency and effectiveness in collecting revenue from local sources. The variable was operationalized through eight specific indicators, as detailed in Table 9.

Table 9: Descriptive Statistics on own source Revenue

Statements	N	Min	Max	Mean	Std. Deviation
The schedule and locations for consultative meetings have been announced.	94	1.00	5.00	3.58	0.904
Citizens are engaged in revenue decision-making during budget consultative meetings.	94	1.00	5.00	3.35	1.001
Citizens engage in consultative meetings and contribute to choices aimed at generating local profits.	94	1.00	5.00	3.38	0.971
Citizens receive information regarding local revenue sources.	94	1.00	5.00	3.57	0.891
Taxpayers are apprised of their rights and responsibilities.	94	1.00	4.00	3.47	0.892
Citizen contributions regarding local revenue sources are taken into account during tax determination.	94	1.00	5.00	3.37	0.865
Presence of an adequate legislative framework for taxes	94	1.00	5.00	3.86	0.907
Locally generated revenues correspond to the stages of development.	94	1.00	5.00	2.95	0.946
Valid N (listwise)	94				
Aggregate Score				3.44	0.922

Source: Researcher (2025)

The findings presented in Table 9 indicate that respondents generally agreed that the county government conducts consultative meetings with the public to gather input on the types and levels of revenue that can be generated locally (Mean = 3.58, SD = 0.904). However, when it comes to citizen involvement in decision-making regarding locally generated revenue, respondents displayed a neutral stance (Mean = 3.38, SD = 0.971). Similarly, neutrality was observed in responses concerning whether citizens' contributions are incorporated into fiscal policy planning (Mean = 3.37, SD = 0.865).

These responses suggest a limited level of public engagement in budgetary decision-making processes, despite the constitutional requirement under the Constitution of Kenya (2010) mandating counties to inform the public—using accessible channels—about the time, venue, and nature of ward-level budgeting forums. The observed lack of participation can be attributed to a range of barriers, including limited access to information, economic constraints, and personal circumstances, which disproportionately affect disadvantaged groups and may lead to their exclusion from important fiscal discussions.

Respondents further affirmed that county governments have the legal mandate and supporting frameworks to establish taxes and levies (Mean = 3.86, SD = 0.907). However, they disagreed with the assertion that locally collected revenue aligns with the observed development levels in the county (Mean = 2.95, SD = 0.946). This suggests a prevailing perception that development progress is driven more by intergovernmental fiscal transfers than by revenue generated within the county. These findings are supported by Suha and Renjith (2025), who observed that county-level development spending is largely influenced by external fiscal allocations.

The overall mean score for the own source revenue variable stood at 3.44 (SD = 0.922), indicating that respondents perceive locally generated revenue as insufficient for county governments to fully execute their service delivery mandates. This observation echoes the

conclusions of Mpaata, Lubogoyi, and Okiria (2017), who reported similar challenges in revenue mobilization among local governments in Uganda. Additionally, Bel and Sebő (2021) argue that local political dynamics can significantly shape revenue collection outcomes, with downstream effects on service provision. Beecher (2021) also underscores the necessity of a sound revenue base, noting that no institution can sustain public goods and services delivery without adequate financial resources.

4.4.2 Descriptive Statistics on Expenditure Decentralization

The second objective of this study was to examine the influence of expenditure decentralization on public service delivery within the county governments of Embu, Kenya. Expenditure decentralization refers to the decision-making processes undertaken by the county government in relation to planning, budgeting, and allocating financial resources to support various functions and services. This dimension of fiscal decentralization was operationalized using seven key indicators, as outlined in Table 10.

Table 10: Descriptive Statistics on Expenditure Decentralization

Statements	N	Min	Max	Mean	Std. Deviation
Notifications regarding the schedule and locations for consultative meetings on expenditure decisions are communicated to the public.	94	1.00	5.00	3.50	0.965
Citizens are engaged in discussions concerning financial decisions related to budget allocations.	94	1.00	5.00	3.25	0.946
Citizens engage in consultative meetings concerning the allocation of expenditures.	94	1.00	5.00	3.46	0.917
Citizens contributed insights regarding spending choices	94	1.00	5.00	3.40	0.856
Residents received details regarding the services offered by the county.	94	1.00	5.00	3.32	0.983

The connections between revenue collected and expenditure are discernible.	94	1.00	5.00	3.94	0.879
The connections among local revenue, fiscal transfers, and expenditure allocation remain ambiguous.	94	2.00	5.00	3.98	0.917
Valid N (listwise)	94				
Aggregate Score				3.41	0.923

Source: Reacher (2025)

The findings presented in Table 10 show that respondents generally agreed that the county government organizes consultative meetings with citizens to discuss budget proposals (Mean = 3.50, SD = 0.965). However, neutrality was observed in responses concerning whether citizens are meaningfully involved in expenditure-related discussions (Mean = 3.40, SD = 0.856), and whether they have adequate access to information about expenditure decisions (Mean = 3.46, SD = 0.917). These results suggest that although mechanisms for public engagement exist, participation remains limited and may not be effectively reaching all segments of the population.

Despite constitutional mandates requiring counties to publicly announce the time, location, and nature of budgeting sessions at the ward level—using the most accessible means—actual public involvement appears constrained. Contributing factors to this lack of participation may include inadequate access to information, economic challenges, and personal limitations, which can prevent marginalized groups from engaging in decision-making processes, thereby contributing to their exclusion.

Furthermore, respondents strongly agreed that there is a disconnect between the county's expenditure decisions and the revenue collected, as reflected in a high mean score (Mean = 3.94, SD = 0.879). This perception points to a lack of transparency or clarity in how budgets are formulated and implemented.

Overall, the expenditure decentralization variable recorded a mean score of 3.41 (SD = 0.923), suggesting that public perceptions of county-level spending decisions remain moderate and below expectations. These findings are in line with Abeysekera (2024), who emphasized the importance of integrating expenditure responsibilities into a broader intergovernmental fiscal framework to ensure fiscal policy effectiveness and macroeconomic stability. Similarly, Monkam and Mangwanya (2024), along with Rubin (2019), argue that vague or poorly defined expenditure assignments often lead to inefficiencies, as different levels of government may shift responsibilities or rely on others to fulfill service delivery mandates.

4.4.3 Descriptive Statistics on Intergovernmental Fiscal Transfers

The third objective of the study was to assess the effect of intergovernmental fiscal transfers on public service delivery within the governments of Embu County, Kenya. The expenditure needs of county governments exceed their capacity for generating own-source revenue. This establishes the foundation for intergovernmental fiscal relations, with the primary aim of providing additional resources to county governments to address the gap between expenditure needs and own-source revenue. The initiative is anticipated to achieve policy objectives, mitigate horizontal inequalities, and promote county government expenditure in alignment with national priority areas (Kyuvi, 2023). The study examined the variable through several steps: the current legal framework governing transfers, the regular and timely disbursement of allocated funds, and the effectiveness of transfers within the devolved system, operationalized using the seven indicators presented in Table 11.

Table 11: Descriptive Statistics on Intergovernmental Fiscal Transfers

Statements	N	Min	Max	Mean	Std. Deviation
Presence of a legal framework for fiscal transfers	94	1.00	5.00	4.32	0.856
Fiscal allocations stipulated in the national budget policy statement	94	1.00	5.00	4.03	0.879

Fiscal transfers constitute a component of the revenue within the county government budget.	94	1.00	5.00	4.12	0.917
On time, funds are routinely transferred to the county.	94	1.00	5.00	2.32	0.986
Fiscals transfer positively affects service delivery	94	1.00	5.00	3.98	0.914
Fiscal transfers take away the county's independence of the choice of use of funds	94	1.00	5.00	2.20	0.807
Fiscal transfers reduce the sense of ownership of the projects	94	1.00	5.00	2.17	0.937
Valid N (listwise)	94				
Aggregate Score				3.31	0.899

Table 11 presents findings indicating that respondents largely agreed that the national government provides fiscal transfers to county governments in accordance with the prevailing legal framework (Mean = 4.32, SD = 0.865). They also affirmed that these transfers are guided by the National Budget Policy Statement (Mean = 4.03, SD = 0.879), and constitute a significant portion of county governments' revenue to support budgetary allocations (Mean = 4.12, SD = 0.917).

However, despite these legal and structural provisions, respondents noted that the disbursement of funds is often irregular and untimely (Mean = 2.32, SD = 0.986). Nonetheless, there was consensus that intergovernmental transfers have a positive impact on service delivery outcomes in county governments (Mean = 3.98, SD = 0.914).

Importantly, the results suggest that these transfers do not undermine the counties' autonomy in allocating funds (Mean = 2.20, SD = 0.807) nor do they erode county ownership over development initiatives (Mean = 2.17, SD = 0.937). This implies that while the counties rely

on external funding from the national government, they maintain control over how the funds are utilized, preserving their local governance mandates.

The overall mean score for the intergovernmental fiscal transfers variable was 3.31 (SD = 0.899), signifying a general agreement among respondents that these transfers are vital for enabling county governments to meet the needs of their constituents. These findings are consistent with the research by Drew (2022) and Dougherty, Nebreda, and Mota (2024), who noted that intergovernmental grants play a key role in stimulating local economies through targeted fiscal support. Taiwo (2020) also supports this perspective, emphasizing that such transfers help bridge disparities in revenue generation between urban and less-resourced counties, while also supporting the delivery of basic services and strengthening tax collection systems.

4.4.4 Descriptive Statistics on County Government Borrowing

The fourth objective of the study was to determine the effect of county government borrowing on public service delivery in Embu County, Kenya. The county administration is pursuing debt funding to provide services while addressing liquidity challenges. The Borrowing and Debt Management Act serves as the financial mechanism for a nation's investment in public infrastructure. Indiscriminate borrowing can lead to interruptions in the provision of public services (Yilmaz & Ebel, 2020). The study examined the current legal framework for borrowing, the utilization of borrowed money, and the disclosure of information regarding such funds, operationalized through the seven indicators presented in Table 12.

Table 12: Descriptive Statistics on County Government Borrowing

Statements	N	Min	Max	Mean	Std. Deviation
The county government has the ability to borrow and repay the amounts borrowed	94	1.00	5.00	1.96	1.002
Utilizing commercial sources for borrowing adversely impacts service delivery.	94	1.00	5.00	2.28	0.879
County government borrowing may result in an inability to fulfill debt obligations.	94	1.00	5.00	3.87	0.917
Citizens are not provided with information on the borrowed amounts	94	1.00	5.00	3.68	0.886
Borrowing enhances the county's responsiveness to its citizens' needs	94	1.00	5.00	2.87	0.988
The borrowed funds are used to fund capital projects and programmes	94	1.00	5.00	3.04	0.896
Existence of a legal framework to support borrowing funds by the county from the national government	94	1.00	5.00	4.61	1.001
Valid N (listwise)	94				
Aggregate Score				3.19	0.938

Source: Researcher (2025)

Table 12 indicates that respondents believe county government borrowing could lead to their inability to repay debts (Mean = 3.87, SD = 0.917). Likewise, participants concurred that county governments fail to provide citizens with information regarding the quantities of money borrowed (Mean = 3.68, SD = 0.886). Conversely, the findings indicate that respondents disagreed with the notion that borrowing from commercial sources, such as banks,

negatively affects service delivery (Mean = 2.28, SD = 0.879). Additionally, respondents demonstrated a neutral position regarding the statement that borrowed funds enhance county governments' ability to respond effectively to citizen needs (Mean = 2.87, SD = 0.988). These results suggest uncertainty or limited awareness among respondents about the potential benefits or risks associated with debt-financed development at the county level. Furthermore, respondents expressed neutrality toward the allocation of borrowed cash for financing projects and programs. A significant dispute exists on the county government's ability to incur debt and subsequently repay the borrowed amounts (Mean=1.96, SD=1.002), but there is strong agreement that a legislative structure exists to facilitate county borrowing from the national government (Mean=4.61, SD=1.001). The perceived resistance to borrowing by the county government stems from individual convictions regarding governmental operations. Individuals often perceive that government income are solely derived from taxes and levies, thereby relegating borrowing to commercial firms.

The average borrowing of county governments was 3.19 (SD = 0.938), suggesting that respondents perceived county government borrowing as ancillary to the elements of fiscal decentralization. These findings are consistent with prior research by Reinhart and Rogoff (2010), who concluded that external public debt can hinder economic growth. Similarly, Shah (2007) argued that high levels of government borrowing, especially when directed toward recurrent expenditures, may negatively affect development, as debt servicing obligations consume resources that could otherwise be used to enhance service delivery (Mothibi & Mncayi, 2019). Zhang (2024) further contended that granting county governments unrestricted borrowing authority is unlikely to lead to improved fiscal outcomes. Supporting this view, Chen, He, and Liu (2020) emphasized that effective borrowing by county governments requires the establishment of either strong hierarchical oversight or well-regulated market mechanisms to prevent fiscal mismanagement.

4.4.5 Descriptive Statistics on Accountability Practices

The study aimed to examine the influence of accountability as a mediating variable on service delivery within the County Government of Embu. Government officials possess significant public authority, which carries the risk of misuse, hence necessitating accountability. Consequently, public accountability necessitates a profound recognition that public officials occupy their roles as trustees for the inhabitants of their particular jurisdictions, and accountability is vital for enhancing the quality of public services. The study evaluated the sufficiency of information supplied by county governments, the management of grievances, and the current feedback systems, operationalized through the six indicators presented in Table 13.

Table 13: Descriptive Statistics on Accountability Practices

Statements	N	Min	Max	Mean	Std. Deviation
The information supplied by the county administration is insufficient.	94	1.00	5.00	3.94	0.932
County government has operational front service operations	94	1.00	5.00	3.83	0.879
The information provided by the county government is adequate	94	1.00	5.00	2.16	0.930
County government discloses all the necessary information to the public	94	1.00	5.00	2.26	0.817
Officers held to account for any malpractice	94	1.00	5.00	3.25	0.846
Officers attending to citizens are courteous	94	1.00	5.00	2.01	0.999
Valid N (listwise)	94			2.91	0.901
Aggregate Score					

Source: Researcher (2025)

The results presented in Table 13 show that respondents agreed that the information provided by county governments to the public was generally inadequate (Mean = 3.94, SD = 0.932). At the same time, they acknowledged that front service desks—often the first point of contact for citizens—were consistently operational and responsive when services were requested (Mean = 3.83, SD = 0.879). However, respondents disagreed with the statement that the information disseminated by county governments was sufficient to meet public needs (Mean = 2.16, SD = 0.930), reinforcing the perception that communication and transparency remain areas of concern in county-level governance. Participants also expressed disagreement (Mean= 2.26, SD = 0.817) regarding the transparency of county governments in disclosing all requisite information to the public. Simultaneously, respondents expressed disagreement (Mean= 2.01, SD=0.999) about the notion that county government officials consistently exhibit courtesy towards citizens. Respondents maintain a neutral stance regarding the accountability of county government officials for any malpractice (mean = 3.25, SD = 0.46). This indicates that the efficacy of provided services is contingent upon the transparency of information and the conscientiousness of public servants.

The mean value of accountability practices was 2.91 (SD = 0.901), suggesting that respondents believed these policies likely hinder fiscal decentralization projects. This aligns with the assertions of Pollitt (2010), Ossege (2012), and Radin (2019), who contend that tensions exist between responsibility and the capacity to achieve desired outcomes due to their inherent incompatibility. Schillemans et al. (2021) acknowledges the presence of multiple accountabilities disorders and observes that organizations striving to meet conflicting objectives are likely to become dysfunctional, resulting in an effort to appease all stakeholders without satisfying any one group.

4.4.6 Descriptive Statistics on Public Service Delivery

The public services provided by the Embu County government were the study's independent variable. County governments are pivotal in the provision of services such as waste collection, early childhood education, and infrastructure development. This has resulted in a concerted attempt to disaggregate bigger governmental entities to enhance service delivery, as smaller organizations are perceived to possess more defined objectives (Walker & Andrews, 2015). This has led to heightened scrutiny of county government unit performance by both policymakers and residents. The study examined the variables related to citizen responsiveness, policy application consistency, and issue resolution speed, operationalized through six items as depicted in Table 14.

Table 14: Descriptive Statistics on public Service Delivery of the County Government

Statements	N	Min	Max	Mean	Std. Deviation
Slow decision making always affects effective policy implementation	94	1.00	5.00	4.43	0.886
Policies are applied inconsistently in the provision of services at the county government.	94	1.00	5.00	4.29	0.914
Political favoritism and elitism dictate the supply of services.	94	1.00	5.00	4.06	0.960
County government seeks to resolve the problems raised by its citizens	94	1.00	5.00	2.42	0.997
Staff at county government always give prompt service	94	1.00	5.00	3.03	0.835
Policies are not always effectively implemented by the county government	94	1.00	5.00	3.95	0.817
Valid N (listwise)	94				
Aggregate Score				3.70	0.902

Source: Researcher (2025)

Table 14 reveals that respondents strongly agreed that slow decision-making processes hinder the effective implementation of policies (Mean = 4.43, SD = 0.886). They also indicated that county governments are inconsistent in executing established policies related to service delivery (Mean = 4.29, SD = 0.914). Furthermore, participants acknowledged the influence of political patronage and elitism on service provision (Mean = 4.06, SD = 0.960), highlighting a perception that political interests, rather than citizen needs, often dictate public service outcomes. This dynamic suggests a disenfranchisement of citizens due to bureaucratic inefficiencies and political capture.

Additionally, respondents agreed that county administrations fail to implement policies consistently (Mean = 3.95, SD = 0.817), while they disagreed with the notion that county governments adequately address issues raised by the public (Mean = 2.42, SD = 0.997). A neutral stance was observed regarding the timeliness of service delivery (Mean = 3.03, SD = 0.835), indicating uncertainty or variability in how quickly services are rendered.

These findings point to notable shortcomings in county-level service delivery systems, contributing to a general sense of dissatisfaction among citizens. The overall mean score for public service delivery stood at 3.70 (SD = 0.902), suggesting moderate dissatisfaction with the performance of county governments.

These observations are consistent with findings by Stossberg and Blöchliger (2017), who noted that fiscal decentralization is linked to reduced income inequality and positive economic outcomes (Blöchliger & Akgun, 2018). Additionally, fiscal decentralization has been shown to improve educational outcomes (Jacqmin & Lefebvre, 2021) and strengthen responsiveness to local infrastructure needs (Tsoriyo & Moffat, 2024).

4.5 Inferential Statistics

After completing the descriptive analysis of the study variables, a correlation analysis was carried out to examine the relationship between fiscal decentralization and public service delivery. Table 15 presents the bivariate correlation results, assessing the associations between the key dimensions of fiscal decentralization—namely own source revenue, expenditure decentralization, intergovernmental fiscal transfers, and county government borrowing—and the performance of public service delivery in Embu County.

4.5.1 Correlation Analysis

Table 15: Correlation Analysis

		Own source revenue	expenditure decentralization	intergovernmental fiscal transfers	county government borrowing	Public service delivery
Own source revenue	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	94				
expenditure decentralization	Pearson Correlation	0.094	1			
	Sig. (2-tailed)	0.001				
	N	94	94			
intergovernmental fiscal transfers	Pearson Correlation	0.077	0.092	1		-
	Sig. (2-tailed)	0.038	0.000			
	N	94	94	94		
county government borrowing	Pearson Correlation	0.233	0.129	-.428**	1	
	Sig. (2-tailed)	0.058	0.009	0.000		
	N	94	94	94	94	

Public service delivery	Pearson Correlation	0.632	0.535	0.473	-0.041	1
	Sig. (2-tailed)	0.000	0.003	0.000	0.001	
	N	94	94	94	94	94

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

Source: researcher (2025)

Table 15 presents the correlation coefficients among the study variables, revealing the strength and direction of their relationships. The dependent variable, public service delivery by county governments, showed a statistically significant positive correlation with own source revenue ($r = 0.632, p < 0.05$), expenditure decentralization ($r = 0.535, p < 0.05$), and intergovernmental fiscal transfers ($r = 0.473, p < 0.05$). This indicates that increases in these dimensions of fiscal decentralization are associated with improvements in service delivery. Conversely, county government borrowing exhibited a weak but statistically significant negative correlation with service delivery ($r = -0.041, p < 0.05$), suggesting that increased borrowing may slightly hinder performance. Overall, these findings imply that changes in fiscal decentralization variables are likely to produce corresponding changes in the effectiveness of public service delivery.

4.5.1 Diagnostic Test

The study carried out various diagnostic tests such as normality, linearity and multicollinearity.

Normality Test

The study conducted normality test to assess the accuracy of data as in Table 16.

Table 16: Normality Test

		Own source revenue	expenditure decentralizati on	intergovernment al fiscal transfers	county governme nt borrowing	Public service deliver y
N		94	94	94	94	94
Normal Parameters ^a	Mean	14.214	14.2436	14.4741	14.1063	14.979
	Std. Deviation	2.9946	3.10834	2.86827	3.26057	3.8710
Most Extreme Differences	Absolute Positive Negative	.103	.079	.120	.079	.100
		.103	.079	.120	.059	.100
		-.073	-.055	-.078	-.079	-.072
Kolmogorov- Smirnov Z		1.917	1.467	2.243	1.473	1.874
Asymp. Sig. (2- tailed)		.262	.127	.085	.068	.320

Source: Resercher (2025)

Table 16 reveals that the Asymp/Significance values for own source revenue, expenditure decentralization, intergovernmental fiscal transfers, county government borrowing, and public service delivery are 0.262, 0.127, 0.085, 0.068, and 0.320, respectively. Given that the significance value exceeded 0.05, the data was deemed normal. The results indicate that the respondents' answers were uniformly distributed, with no occurrences of disproportionate agreement or dissent.

Linearity Test

The study conducted a linearity test to examine the effect of fiscal decentralization on public service delivery. Table 17 provides the results.

Table 17: Linearity Test

			Sum of	Df	Mean	F	Sig.
			Squares		Square		
		(Combined)	383.383	32	27.385	1.893	.026
Public service	Between	Linearity	2.566	1	2.566	.177	.674
delivery *	Groups	Deviation from	380.817	31	29.294	2.025	.081
Own source		Linearity					
revenue	Within Groups		4831.476	27	14.465		
	Total		5214.860	94			
		(Combined)	330.538	34	20.659	1.404	.137
Expenditure	Between	Linearity	6.022	1	6.022	.409	.523
decentralization	Groups						
		Deviation					
		From Linearity	324.516	33	21.634	1.471	.114
	Within Groups		4884.322	25	14.712		
	Total		5214.860	94			
		(Combined)	186.628	31	12.442	.824	.651
	Between	Linearity	2.001	1	2.001	.133	.716
	Groups						
Intergovernmental		Deviation					
fiscal transfers		From Linearity	184.627	34	13.188	.874	.588
	Within Groups		5012.346	26	15.097		
	Total		5198.974	94			
		(Combined)	424.550	35	24.974	1.726	.037
County	Between	Linearity	83.292	1	83.292	5.757	.017
government	Groups						
borrowing		Deviation					
		From Linearity	341.258	34	21.329	1.474	.107
	Within Groups		4774.424	24	14.468		
	Total		5198.974	94			

Source: Researcher (2025)

Table 17 reveals that the significant values for own source revenue, expenditure decentralization, intergovernmental fiscal transfers, and county government borrowing were 0.081, 0.114, 0.588, and 0.107, respectively. The results indicate a linear correlation between fiscal decentralization and public service delivery.

Multicollinearity

The study analyzed multicollinearity to determine the distinct characteristics of each variable related to fiscal decentralization in relation to one another. Table 18 presents the findings.

Table 18: Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Own source revenue	.845	2.325
Expenditure decentralization	.903	1.407
Intergovernmental fiscal transfers	.766	3.172
County government borrowing	.921	1.049

Source: Researcher (2025)

Table 18 presents the tolerance values and VIFs for various financial metrics. Own source revenue shows a tolerance value of 0.845 and a VIF of 2.325. Expenditure decentralization has a tolerance value of 0.903 and a VIF of 1.407. Intergovernmental fiscal transfer displays a tolerance value of 0.766 and a VIF of 3.172. Lastly, county government borrowing exhibits a tolerance value of 0.921 and a VIF of 1.049. The findings indicate that the fiscal decentralization variables were clearly differentiated, as demonstrated by the tolerance values exceeding 0.2 and VIF values remaining below 5. This suggested that they exhibited distinct characteristics, potentially leading to a heightened level of interaction.

4.5.2 Regression Analysis

According to Leung (2011), data analysis may be conducted based on individual items or by aggregating items into a composite scale. In this study, the researcher utilized the arithmetic

mean to condense the extensive data derived from the variable indicators into a single numerical index. A direct effects model was employed to examine the straightforward relationships between the various components of fiscal decentralization and the performance of county governments in service delivery. Additionally, a mediated effects model was used to assess whether accountability practices served as a mediating factor in the relationship between fiscal decentralization and service performance.

Table 19: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671 ^a	0.668	0.471	0.46421

a. Predictors: (Constant), Own source revenue, Expenditure decentralization, Intergovernmental fiscal transfers, County government borrowing

Source: Researcher (2025)

The findings displayed in Table 19 demonstrate $R^2 = 0.668$ indicates that approximately 67 per cent of public service delivery in Embu County government is explained by the application of the fiscal decentralization components.

Table 20: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.804	5	0.951	14.413	.003 ^b
	Residual	13.360	88	0.215		
	Total	17.164	93			

a. Dependent Variable: public service delivery

b. Predictors: (Constant), Own source revenue, Expenditure decentralization, Intergovernmental fiscal transfers, County government borrowing

Source: Researcher (2025)

The results presented in Table 20 show that the Analysis of Variance (ANOVA) yielded a statistically significant outcome, with an F-statistic of $F(5, 88) = 14.413$, $p < 0.05$. This

indicates that the independent variables representing the components of fiscal decentralization are collectively significant in explaining the variations observed in public service delivery within the Embu County government.

Table 21: Coefficients

Model	Unstandardized		Standardized	T	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	1.163	0.434		3.137	0.000
Own source revenue	0.247	0.067	0.423	2.75	0.001
Expenditure decentralization,	0.304	0.012	0.036	3.55	0.013
Intergovernmental fiscal transfers	0.326	0.071	0.047	3.43	0.010
County government borrowing	-0.171	0.076	0.116	261	0.000

A. Dependent Variable: public service delivery

Source: Researcher (2025)

The beta coefficients are: own source revenue, $\beta_1 = 0.247$ ($t = 2.75$, $p < 0.05$); expenditure decentralization, $\beta_2 = 0.304$ ($t = 3.55$, $p < 0.05$); intergovernmental fiscal transfers, $\beta_3 = 0.326$, ($t = 3.43$, $p < 0.05$); and county government borrowing, $\beta_4 = -0.171$ ($t = -2.61$, $p < 0.05$). All the $p < 0.05$ indicate that all the coefficients are significant.

Therefore, the regression equation indicates the predicted county government service delivery is as follows:

$$Y = 1.1784 + 0.247 X_1 + 0.304X_2 + 0.326X_3 - 0.171X_4.$$

Where;

Y = public service delivery of Embu County government

X1 = own source revenue

X2 = Expenditure decentralization

X3 = Intergovernmental fiscal transfers

X4 = County government borrowing

The findings confirm that various components of fiscal decentralization significantly influence public service delivery in Embu County. Specifically, a one-unit increase in own source revenue is associated with a 0.247-unit improvement in service delivery. Likewise, decentralizing expenditures by one unit corresponds to a 0.304-unit increase in service provision. Furthermore, a one-unit rise in intergovernmental fiscal transfers leads to a 0.326-unit enhancement in the county's service delivery. In contrast, a one-unit increase in county government borrowing results in a 0.171-unit decline in service delivery, suggesting that borrowing may negatively affect service performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a comprehensive overview, concluding remarks, and the implications derived from the study's findings. The chapter concludes with suggestions for future investigations. The chapter includes not only the summary and conclusion but also addresses additional areas such as the study's contributions and recommendations for future research endeavors.

5.2 Summary of the Findings

This study investigated the impact of fiscal decentralization on public service delivery in Embu County, Kenya, utilizing a descriptive research design. Data were primarily collected through questionnaires, which were analyzed both descriptively and inferentially. Descriptive statistics—such as means, standard deviations, frequencies, and percentages—were presented in tabular format, while regression analysis was used to explore the relationships among the study variables. The demographic profile revealed that the majority of respondents were male, predominantly aged between 21 and 60 years, with most holding undergraduate degrees. Additionally, a significant number of participants had resided in their respective counties for over a decade.

The study analyzed the correlation between socio-demographic variables, revealing significant differences in gender and age distribution, gender distribution and educational attainment, as well as notable disparities between gender and respondent type, with males predominating in representation. Moreover, no disparities were seen between age and educational attainment or between age and respondent category.

5.2.1 Own Source Revenue and Public Service Delivery

The first objective aimed to assess the impact of own source revenue on public service delivery in Embu County, Kenya. Descriptive findings revealed that while the county government conducts consultative forums with the public, citizen participation in these meetings is limited. As a result, public input on revenue matters is often not integrated into fiscal policy planning. Additionally, although county governments possess the legal authority and framework to impose local taxes and levies, the revenue generated locally is insufficient to support comprehensive service delivery. Consequently, the level of development observed in the county cannot be solely attributed to own source revenue, as development expenditure heavily relies on fiscal transfers from the national government.

5.2.2 Expenditure Decentralization and public service delivery

The second objective focused on examining the impact of expenditure decentralization on public service delivery within Embu County governments in Kenya. Descriptive statistics indicated that respondents reported low levels of citizen involvement in consultative meetings concerning expenditure decisions. Additionally, there was a general lack of access to information related to how expenditure decisions are made, highlighting gaps in transparency and inclusive participation in budgetary processes. The populace struggles to connect the revenue generated with the expenditure decisions outlined in the county's budget. The participants expressed the view that the execution of development budgets is driven more by political agendas than by the needs of the populace. It is suggested that the decisions regarding expenditures are not executed in accordance with the budgetary allocations. Respondents also noted that in cases of financial misappropriation, county governments had not taken adequate corrective actions, such as enforcing sanctions for procurement breaches or addressing the misuse of funds. The effectiveness of expenditure decentralization efforts is further hindered by entrenched bureaucratic structures, political interference, and misaligned development

priorities, all of which obstruct transparent and accountable public service delivery. Consequently, the actions of public officials diminish the effectiveness of expenditure decentralization, which in turn impacts service delivery.

5.2.3 Intergovernmental Fiscal Transfers and Public Service Delivery

The third objective sought to evaluate the effect of intergovernmental fiscal transfers on public service delivery in Embu County governments, Kenya. Descriptive statistics showed that these transfers are governed by a clear legal framework and are allocated through the national budget policy statement to support county-level budgetary planning. Although respondents noted that the disbursement of these funds is not always timely, they acknowledged that fiscal transfers positively influence service delivery. Moreover, the transfers are largely unconditional, allowing county governments the discretion to determine their allocation and use based on local priorities.

5.2.4 County Government Borrowing and Public Service Delivery

The fourth objective aimed to examine the impact of county government borrowing on the delivery of public services in Embu County, Kenya. Descriptive findings revealed that respondents expressed concerns about the potential inability of county governments to repay borrowed funds and the lack of transparency regarding the disclosure of borrowing amounts to the public. While there was a general perception that borrowing from commercial institutions such as banks may not directly harm service delivery, there was also cautious optimism that, if managed responsibly, such borrowing could enhance the county government's ability to respond more effectively to the needs of its constituents. The folks held the belief that the only sources of revenue for the government were taxes and levies, and as a result, they considered borrowing to be more suitable for commercial enterprises.

5.2.5 Public Service Delivery of the County Governments.

The overarching objective of this study was to examine the influence of fiscal decentralization on public service delivery in Embu County. Descriptive findings revealed that while fiscal decentralization mechanisms are in place, their effectiveness is often undermined by the significant influence of public authorities on policy implementation. Additionally, the study found that the county government demonstrates inconsistencies in service provision, which affects the equitable and efficient delivery of public services to the general population. A prevalent notion exists that political patronage and elitism influence service provision. Nonetheless, county government officials are often perceived as providing solutions to the challenges encountered by locals. Despite the presence of fiscal decentralization frameworks, notable shortcomings in service delivery systems have led to widespread dissatisfaction with sub-national government entities in Kenya. Feedback from key informants further supports this view, highlighting that service provision at the county level remains inconsistent and, in many cases, falls short of public expectations. The county's constrained resources have led to a deficiency in the level of fundamental services offered to its citizens. The indicators indicate that the provision of services within the county government operations differs based on the respective departments and their associated activities.

5.3 Conclusion

To start, the public service delivery in Embu County, Kenya is influenced by the decisions made about the county's own source of funding. This conclusion is based on the fact that county governments' service performance is believed to be affected by the favorable effect of local revenue decisions on budgetary factors.

Embu County governments in Kenya are impacted by the decentralization of expenditure on public services. This is because it appears as though the county governments are the ones who actually carry out the allocation and implementation of the allocated budget.

The public service delivery in Embu County, Kenya is influenced by intergovernmental fiscal transfers. The improvement in service performance may be more easily attributed to the transfers from the national government because this is grounded in the concrete proof of the transfer. The provision of public services in Embu County, Kenya is severely impacted by the county government's reliance on borrowing. The reasoning behind this conclusion is that the county government is seen as taking money out of service delivery that could be utilized to improve it through borrowing.

5. 4 Recommendations

5.4.1 Recommendations for the Study

Based on the conclusion, the following recommendations are advanced;

The county governments in Kenya ought to explore the integration of new revenue sources alongside the existing ones, enabling them to attract substantial business entities and individuals, thereby enhancing tax revenue collection at the sub-national level. The counties ought to adopt contemporary infrastructure and information systems that enhance revenue collection initiatives, while also educating the local community on the importance of fulfilling their local tax obligations.

The study suggests that local citizens should be engaged in the budgetary processes and that there should be a recognition of how the county government allocates expenditures. The issue at hand is that a significant portion of the population comprehends the role of the county, yet lacks an understanding of the sources of its funding.

In relation to intergovernmental fiscal transfers, it is crucial that the national government ensures timely and efficient disbursement of funds. Prompt allocation enhances the capacity of county governments to effectively carry out their public service delivery mandates. Additionally, the national government should support county governments in strengthening

and expanding their own-source revenue bases, offering technical assistance and capacity-building initiatives to improve local revenue generation and financial sustainability.

5.4.2 Policy Recommendations

The study recommends the establishment of a comprehensive legal framework that enables county governments to responsibly pursue borrowing, particularly for capital development projects. Facilitating access to such funding mechanisms will empower counties to invest in long-term infrastructure and service improvements. Furthermore, strengthening the fiscal autonomy of county governments is critical for advancing the decentralization of both revenue and expenditure. Enhancing fiscal independence will enable counties to better plan, allocate, and utilize resources, thereby improving the overall effectiveness and responsiveness of public service delivery.

5.4.3 Recommendations for Future Research

This study focused on the components of fiscal decentralization and their influence on public service delivery in Embu County. However, there is a need for broader research examining the impact of fiscal decentralization across a wider range of counties in Kenya. Given that devolution is still in its formative stages, counties continue to experiment with various models of fiscal decentralization. Future studies could adopt exploratory case study approaches to compare high-performing and low-performing counties, thereby offering deeper insights into how decentralization influences service delivery at the grassroots level.

Further research could also explore other dimensions of decentralization, such as political and administrative decentralization, to assess their combined effects on county government performance and governance. Since fiscal decentralization is only one component of the broader decentralization framework, investigating these additional aspects would provide a more comprehensive understanding of how decentralization contributes to local governance and development outcomes.

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APPENDICES

Appendix I: Informed Consent

Study Title: Impact Of Fiscal Decentralization Policy on Public Service Delivery in Embu County Government Kenya

Principal Investigator: Paul Rotich

Institution: Mount Kenya University

Contact Information: +254 722 425605

You are invited to participate in a research study being conducted by Paul Rotich, a researcher at Mount Kenya University. The purpose of this study is to explore the impact of fiscal decentralization on public service delivery in Embu County, Kenya. The findings from this research are intended to contribute to a deeper understanding of how fiscal decentralization influences the effectiveness of service provision at the county level.

If you choose to participate, you will be asked to complete a survey. The entire process is expected to take approximately 35 minutes. There are no known risks associated with participating in this study. However, should you feel any discomfort, you are free to withdraw at any point without facing any penalty or loss of benefits.

While there are no direct personal benefits to you for participating, your input will be valuable in advancing knowledge in this area. All information you provide will be treated with strict confidentiality. Your responses will be anonymized, and no identifying information will appear in any reports or publications. All data collected will be securely stored and used solely for the purposes of this research.

Participation is completely voluntary. You have the right to decline or discontinue participation at any time. Should you choose to withdraw, any data you have provided will be excluded from the final analysis.

If you have any questions or concerns about the study, you may contact the principal investigator, Paul Rotich, at +254 722 425605. For questions regarding your rights as a participant, please contact the Chairman of the Mount Kenya University Ethical Review Committee, P.O. Box 342-01000, Thika.

By continuing with the survey, you acknowledge that you have read and understood the above information and voluntarily agree to participate in this research.

Consent

By signing this form, you acknowledge that you have read and understood the information provided above, and you voluntarily agree to participate in this study. You also understand that you may withdraw from the study at any time without penalty, and that your responses will remain confidential.



Participant's Signature: _____ Date: _____

Researcher's Signature: _____ Date: _____

Appendix II: Questionnaire

Instructions for filling the questionnaire:

Part One: Respondent Demographic Characteristics

The questions in this section relates to the information relating to respondent's demographic characteristics PLEASE TICK THE BOX WITH THE APPROPRIATE CHOICE

Sub county:

Department(s) service is sought:

Indicate your Gender

Male Female

Indicate your Age bracket in years

18 to 20 Years 21 to 30 Years

31 to 40 Years 41 to 50 Years

Above 51 Years

Indicate your highest Level of education

Primary level Secondary level

Certificate level Diploma level

Bachelors level postgraduate level

Others (specify)

Years you have lived/worked in the County

Part B: Own Generated Revenue

The statements provided in this section relate to the county government's decisions and actions aimed at revenue generation within the county. Given your understanding of these processes, please indicate your level of agreement or disagreement with each statement by marking the option that most accurately reflects your opinion. Select from the following choices: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), or Strongly Disagree (SD).

	Statements	SA	A	N	D	SD
1	County Government frequently announces the times and venues for consultative meetings for discussing the sources of revenue (taxes, licence, levies, permits, cess, fees etc) for county operations					
2	Citizens are consulted on decisions regarding the sources of revenue during the budget consultative meetings at sub-county levels					
3	Citizens participate at the consultative meetings and contribute towards the decisions to generate local revenues (taxes, licence, levies, permits, cess, fees etc)					
4	The County Government informs the citizens and residents their sources of revenue (taxes, levies or fees)					
5	The citizens are regularly informed by the County about their rights and obligations as a taxpayer					
6	County Government always takes into account the inputs of the citizens before setting taxes, levies, cess or fees					
7	The law allows the County Government to charge taxes, fees or levies for the services (such as health, garbage collection)					
8	The revenue (taxes, licence, levies, permits, cess, fees etc) collected by County Government always match with the level of development witnessed in the County					

In your opinion do local revenue sources affect the performance of County Government?

Yes No

Explain your answer above

.....
.....

..

Indicate your recommendation on the effects of own sources revenue on the performance of County Government

.....

 ..

PART C: Expenditure decentralization

The questions attached in this section concerns the decision on the expenditures by the county government. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the statements by TICKING the most appropriate choice that best represents your view/opinion by choosing the most appropriate choices from Strongly Agree (SA); Agree(A); and Neutral(N); Disagree(D) and Strongly Disagree (SD)

	Statements	SA	A	N	D	SD
1	County Government frequently announces the times and venues for citizens to discuss the budget expenditure decisions (water, education, roads, developmental among others).					
2	Citizens are consulted on decisions regarding the budgetary allocations (developmental and recurrent expenditures) during the budget consultative meetings at sub-county levels					
3	Citizens participate in the consultative meetings and contribute towards the decisions regarding the expenditure allocations.					
4	The County Government informs the citizens of their Expenditure allocation (water, education, roads, educational projects among others).					
5	The County Government frequently provides information to the citizens on the state of services provided by the County Government.					
6	It is possible for the public to link the use of funds (expenditure allocations) to the revenues collected (taxes,					

	licence, levies, permits, cess, fees etc) by the county government.					
7	It is not possible for the public to determine whether the money used for budgetary allocations by the county government is coming from its own sources (taxes, licence, levies, permits, cess, fees etc) or from the national government.					

In your opinion do spending decisions affect the performance of county government?

Yes No

Explain your answer above

.....

.....

..

Indicate your recommendation on the effects of expenditure decentralization on the performance of county governments

.....

.....

..

Part E: Intergovernmental Fiscal Transfers

The questions attached in this section concerns the decisions used county government regarding the monies received from the national government. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the statements by TICKING the most appropriate choice that best represents your view/opinion by choosing the most appropriate choices from Strongly Agree (SA); Agree(A); Neutral(N); Disagree(D) and Strongly Disagree (SD).

	Statements	SA	A	N	D	SD
1	The National government transfers funds to the county governments are provided and supported by the existing laws					
2	The national government transfers are provided by the national budget policy statement					

3	The funds from the National government are part of the revenues received by the county government for its budgetary allocation					
4	The transfers from the national government support the financial requirements of the county government					
5	The national government transfers funds to the county regularly as per the schedule					
6	The transfers from the national government take away the independence of choice of the use of funds from the county government					
7	The transfers from the national government reduce the sense of ownership of the county projects and programs and the ensuing accountability					

In your opinion do intergovernmental fiscal transfers affect the performance of County Governments?

Yes No

Explain your answer above

.....

.....

..

Indicate your recommendation on the effects of effects of intergovernmental fiscal transfers on the performance of county governments

Explain your answer above

.....

.....

Part E: County Government Borrowing

The questions in this section pertain to how county governments make decisions about borrowing funds for their expenses. As someone knowledgeable in these processes, please indicate your level of agreement or disagreement by selecting from the following options: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), or Strongly Disagree (SD).

Statements	SA	A	N	D	SD
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1	The County Government is allowed by law to borrow monies from the national government					
2	The County Government is allowed by law to borrow monies from commercial and private institutions such as banks, financial institutions and other private sector bodies					
3	The legal framework provides a maximum number of monies that can be borrowed by the county government					
4	The county government has the ability to borrow and repay any funds from external sources (government and private institutions)					
5	The borrowed funds are always used to fund projects (such as roads, schools, hospitals) only					
6	The borrowed funds have greatly improved the service provided for by the county government (building roads, hospital and providing water etc.)					
7	The amounts of borrowed funds have aided the County Government in enhancing its responsiveness to citizen needs					

Part F: Accountability

The questions attached in this section concerns the accountability of the county government to its citizens with regard to its fiscal budgeting processes. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the statements by TICKING the most appropriate choice that best represents your view/opinion by choosing the most appropriate choices from Strongly Agree (SA); Agree(A); Neutral(N); Disagree(D) and Strongly Disagree (SD)

	Statements	SA	A	N	D	SD
1	Officers in county government are always held to account when malpractices are reported					
2	Information given by the County Government is always adequate					
3	You are convinced that the county government always discloses all the information they need to					

4	There are always comprehensive systems in place to ensure accountability in the county					
5	A feedback mechanism is always in place at the County Government					
6	Citizens are frequently called upon to participate in budget preparation in the county					

In Your opinion, how can accountability be improved in the county?

.....

.....

..

Part G: Public Service Delivery

The questions attached in this section concerns to performance of the county government with regard to the quality of the services delivered to its citizens. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the statements by TICKING the most appropriate choice that best represents your view/opinion by choosing the most appropriate choices from Strongly Agree (SA); Agree(A); Neutral(N); Disagree(D) and Strongly Disagree (SD).

	Statement	SA	A	N	D	SD
1	The quality of services (such as health, garbage collection fire station services, county roads maintenance, street lighting) in the county are good					
2	County government always provides coordinated services to the citizens					
3	County government is always responsive to the needs of the citizens					
4	The County government is closer to the citizens and always responds better to the needs of its citizens compared to the national government					
5	County government always understands the specific needs of their citizens					
6	Speed of service delivery is always good					

7	Staff at county government always give prompt service					
8	Quality of services offered always meet expectations					

THANK YOU FOR YOUR CO-OPERATION



Appendix III: ERC certificate



REF: **MKU/ISERC/4762**

Date: 13 February 2025

TO: **PAUL ROTICH**

REG: **MPAM/48336/2016**

Dear Sir/Madam,

RE: EFFECT OF FISCAL DECENTRALIZATION POLICY ON PUBLIC SERVICE DELIVERY IN EMBU COUNTY GOVERNMENT KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3484**. The approval period is **13/02/2025 - 12/02/2026**.

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,

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



Appendix IV: Postgraduate introduction Letter

Mount Kenya University



DIRECTORATE OF GRADUATE STUDIES

MPAM/48336/2016

19th February, 2025

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

Dear Sir/Madam,


RE: PAUL ROTICH - REGISTRATION NO. MPAM/48336/2016

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

The title of the research is "**Effects of Fiscal Decentralization Policy on Public Service Delivery in Embu County Government 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 **March, 2025 and May, 2025.**

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, Ph.D
Director, Graduate Studies
Enc.

Mount Kenya University
P. O. Box 342 - 01000, THIKA
Office of the Director,
Graduate Studies

Appendix V: Data Collection Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 376078	Date of Issue: 12/March/2025
RESEARCH LICENSE	
	
<p>This is to Certify that Mr.. Paul Rotich 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 Embu on the topic: EFFECT OF FISCAL DECENTRALIZATION POLICY ON PUBLIC SERVICE DELIVERY IN EMBU COUNTY GOVERNMENT KENYA for the period ending : 12/March/2026.</p>	
License No: NACOSTI/P/25/416835	
376078 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code
	
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Appendix VI: Similarity Index

PAUL ROTICH ROTICH

EFFECT OF FISCAL DECENTRALIZATION POLICY ON PUBLIC SERVICE DELIVERY IN EMBU COUNTY GOVERNMENT KENYA

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