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Effect of Legislative Budgetary Control on Financial Accountability in Nairobi County Kenya

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ABSTRACT

Purpose: This study assesses the impact of legislative budgetary control functions in Nairobi County on financial accountability. This accountability in public organisations is essential in safeguarding resources, promoting transparency, and enhancing the public's confidence in such public institutions.

Design/Methodology/Approach: A descriptive survey research method was employed, with respondents being 201 senior officials of the Nairobi County government chosen based on the Krejcie and Morgan sample size estimation formula. Data was obtained through structured questionnaires and analysed using descriptive and inferential statistics in the SPSS statistical software package (Version 24).

Findings: The results suggest that legislative budgetary control function has a critical effect on financial accountability ($\beta = 0.077$; $p < 0.05$). The findings emphasize the necessity of the legislative work for the analysis of the county's proper resource spending and for enhancement of financial transparency.

Implications/Originality/Value: The research findings show that legislative efforts optimize budgetary control to enhance financial accountability in Nairobi County. It serves as a resource on how legislative oversight affects the management of public spending.



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Introduction

The increasing focus on prudent financial management in public organizations has been a focal area of discussion in the recent past with reference to governance in counties. The introduction of a devolved

governance system in Kenya has placed a lot of pressure on the county governments in terms of efficient and accountable management of public resources. According to Anuar et al. (2023), financial accountability is therefore a major consideration in as far as efficiency in the management of the government institutions is concerned, and the public supports through funding as it entails compliance with financial regulations, documentation, and proper handling of cash in the government institutions. However, recurring problems like embezzlement of funds, budget frauds, and corruption still compromise financial credibility at the county level, especially in Nairobi County, as indicated in the study by Munyao (2018).

Among all counties in Kenya, Nairobi County has the largest share of public resources due to its position as the capital city and thus has to cope with difficulties in effective financial management as a result of the fast urbanisation, population increase, and pressure for the establishment of more public entities. The measures that have been put in place to control the issue include legislative budgetary oversight, the auditor general's audits, parliamentary oversight, and the commission on revenue Allocation. However, Schick (2009) states that the problem has not been well handled in the county. Among all the forms of legislative control, legislative budgetary control is considered to be a critical tool in the regulation of public funds utilization. It encompasses the process of developing, implementing, and evaluating budgets so as to ensure government spending is in line with the set financial plans. Lino et al. (2022) have asserted that these budgets are expected to be reviewed by the legislatures, recommended for approval, and detect any deviations, as well as ensure that public officers are accountable for the mismanagement of public funds.

This study identified a significant research gap as to how the legislative budgetary control impacts the financial accountability in the county government system. Various previous research works have mostly been centred on performance indicators or other more extensive financial control frameworks on the national level (Mutua & Wamalwa, 2017; Njahi, 2017; Ibrahim et al., 2017). The relationship between the legislative budgetary control and the actual financial management responsibility, especially in the devolved units such as Nairobi County, has not been well discussed. This research therefore seeks to fill that gap by analysing the effect of legislative budgetary control on financial accountability in Nairobi County. Grasping this relationship is essential to designing reforms of policy that would in turn enhance the management of resources at the county level.

Therefore, the main research objective is to assess the impact of legislative budgetary control on financial responsibility and accountability in Nairobi County. In this regard, the study aims at evaluating how budgetary processes have been carried out, the involvement of the legislature in the budgetary process, and the measures that have been employed in enforcing budgetary provisions with a view to enhancing the discourse on financial governance in Kenya's devolved units. This study is quite pertinent as Kenya is still struggling with fiscal issues in county governments, and it provides insights that could help in improving the efficiency of budgetary oversight in the promotion of financial accountability.

Literature Review and Development of Hypotheses

Theoretical Framework

Based on literature, several theories offer an appropriate theoretical foundation in explaining the effects of legislative budgetary control on financial accountability in the public sector. Agency Theory, advanced by Jensen and Meckling (1976), is used as the theoretical framework when understanding the principal-agent relationship. In the framework of public finance, this theory describes how the principals, the citizens, give the right to manage the financial resources to the agents, the officials. However, as the theory postulates, there is always an agency problem whereby the self-interest of the agents overrides the interest of the principals, and therefore the legislative budgetary control exists to monitor the agents' behavior. Budgetary oversight has a key role in the legislative branch of government because it helps to avoid agency issues related to the misuse of funds and lack of accountability.

In addition to the agency perspective, the stewardship theory has a positive effect towards public officers, or stewards, assuming that they will do what is in the best interest of the public (Davis et al., 1997). This

theory has some basis with the notion of legislative budgetary control in as much as it gives credence to the role of public servants as stewards of public resources. With reference to Simon and Muhamed's (2017) opinion, the stewardship framework focusses on trust and freedom, where the officials are to perform in the best interest of society. In this case, the legislative budget control assists the stewards in controlling public finances responsibly while at the same time being accountable to the public.

Accounting Theory, as expounded by Hendriksen (1977), also affirms the principles of consistency in the preparation of financial statements and compliance with set standards. This theory affirms the importance of sound accounting practices in an environment that is policy-driven in the achievement of financial accountability in organisations, especially in the public sector. In the legislative oversight, budget control also helps in the accountability of the financial reports and the budget execution, as well as ensuring that the financial data is not manipulated, as supported by Watts and Zimmerman (2090).

Finally, the New Public Management (NPM) Theory by Hood (1991) assists in acknowledging how firms within the public sector can embrace practices from the private sector to function and be accountable. NPM entails controlling performance, output, and competition, whose attributes are all part of the new governance. By so doing, the legislative budgetary control is essential in auditing the financial control of organizations such as Nairobi County, and at the same time, it is a critical tool that can exist and operate within the recommended fiscal standards.

Empirical Studies

Various empirical findings have backed the necessity of legislative budgetary control in the improvement of accountability in public governance. For example, Oyebode (2018) has described the application of the budgets in planning, controlling, and authorizing organizations of the public sector. Budgets do not only facilitate proper spending of funds in the public sector, but they also gauge financial results. In this capacity, they help to implement the financial practices that are beneficial in attainment of organizational objectives and ensure accountability in the use of resources as they superintend the budgets. Otieno (2019) has also supported the argument that budgetary controls enhance financial performance in his study conducted among public universities in Nairobi County. His study supports the practice of planning and controlling the budget and also the analysis of variances to ensure that expenditures are made accountable to the institutional objectives. His findings also support the idea that if the legislatures are deliberate on the budgetary processes, there tends to be less corruption, hence more accountability in the financial sector.

Similarly, Adongo and Jagongo (2019) noted that the element of budgetary controls has the primary mandate of improving the financial performance of state-owned enterprises in Kenya. In their works, they realised that sound legislative budget oversight enhances the effectiveness of public resources by reducing incidences of budgetary vices and fiscal irregularities. These studies suggest that when the legislative branch participates in budgeting through setting budgets, monitoring the spending, and analysing the budgetary variances, there is improvement in the accountability of funds that are used, hence improving the integrity of public funds spending.

Budget Preparation, Execution, and Monitoring

Elements of legislative budgetary control include preparation, implementation, and scrutiny of the budget. Isaac et al. (2015) note that there is a need to prepare budgets since they help set financial objectives and guide the spending of resources in line with the strategic direction of public institutions. Legislative entities have an important function in scrutinising and passing budgets because financial plans must be in line with the needs of the public. Once the budget is approved, the budget execution follows, whereby the disbursement of funds and the expenditures are made in line with the set budget. According to McGuire et al. (1988), coordination gives confidence that assigned resources are used in the right manner and thus waste is eliminated, achieving the aspect of financial responsibility.

In addition, monitoring in budgetary control should be continuous. Zhou et al. (2008) argue that variance

analysis, in which actual expenditures are compared to the budgeted figures, is an essential method of identifying variances and initiating remedial measures. The executive branches of the legislative bodies through monitoring mechanisms are in a position to detect any deviations from the set budget and correct the situation when the need arises. This not only assists in controlling the government's spending but also increases the confidence of the public in their government's capacity to balance their budget.

Development of Hypotheses

Drawing from the theoretical and empirical literature, the following hypothesis was formulated to test the relationship between legislative budgetary control and financial accountability in Nairobi County:

- H_{01} : Legislative budgetary control has no significant effect on financial accountability in Nairobi County.

Methodology

Sample and Data Collection

The targeted population for the current study included decision-makers in Nairobi County who are involved in financial management, budgeting, and oversight. This group consisted of the finance officers, auditors, and departmental heads, as well as individuals who have significant involvement in budgeting, financial reporting, and auditing of the county government. While targeting such individuals, the study aimed at gathering information from respondents who possess practical experience and insights in the area of budgetary control and accountability.

The research embraced a stratified random sampling method whereby all the departments and functions in the county government were covered. Through the stratification approach, the population was divided into different smaller groups in relation to the department and the job position of the persons held in the county, thus getting the whole cross-sectional sample of the financial decision-making ladder. This method enabled the researcher to get the views of different departments involved in the financial management, hence enriching the study by giving an added perspective to the budgetary control in the county.

The sample size was determined using Krejcie and Morgan's sample size determination table, whereby the proportionate stratified random sampling technique was used to arrive at a sample of 201 respondents from a target population of 425 officials in Nairobi County. This sample size was adequate in ensuring the study had the required power to test the research hypothesis and make meaningful conclusions. Structured questionnaires, which were administered, comprised Likert scale questions that involved rating from one to five to allow the respondents to express their perceptions on legislative budgetary control and financial accountability. The findings were complemented by interviews with critical respondents, including senior finance officers and auditors, thus offering qualitative information to complement the quantitative data obtained from the questionnaires. Document analysis was also carried out to review the budget reports, audit statements, and financial control manuals as part of gaining a general background of the research.

A pilot study was conducted with 10% of the total sample that was not included in the actual study to establish the validity of the data collection instruments. Information gathered from this pilot study was utilised to modify the questionnaire with a view to making it relevant and easy to understand. Other professionals in the financial management and corporate governance fields were also involved to enhance content validity, as suggested by Mugenda and Mugenda (2003). Cronbach's alpha was used to check reliability, whereby a coefficient of 0.7 or above was accepted to validate the questionnaire's internal consistency (Orodho, 2009).

Variable Measurements

In line with the study's objectives, legislative budgetary control and financial accountability were measured as primary variables. The former was deemed an independent variable and the latter as the dependent variable. These variables were measured according to the theoretical concepts and prior studies done in this field. Legislative budgetary control was measured by focussing on the approval, preparation, and

implementation of the budget as well as the subsequent clarification of variances. Budget participation was the extent of involvement and participation of the stakeholders in the preparation of the budget so as to capture their needs and priorities for the county. Budget control reflected on the extent to which the fiscal activities in the county complied with the set budget during the fiscal year with the aim of maintaining the planned budget. The variance explanations evaluated the action taken for variance identification, reporting, and controlling with the approved budget and cost incurred. These components offered a balance of how properly the legislative budgetary control function of the county government was accomplished.

On the other hand, financial accountability was measured using key indicators such as the management of public resources, following of the budgetary measures, and financial disclosure. Compliance with budget implementation embraced the extent of compliance with the budget plans, thus the level of fiscal responsibility of the county. Reporting transparency assessed how clearly and comprehensively the county government conveyed the financial information to the interested parties. Appropriate management and utilization of public funds assessed the extent to which the county had managed public resources in accordance with fiscal policies, besides establishing whether available resources had been well utilized. To measure all these variables, the study adopted Likert scales, where the respondents were asked to fill out questionnaires on a scale of 1–5, with 1 portraying the feeling of 'strongly disagree' and 5 portraying the feeling of 'strongly agree' regarding legislative budgetary control and financial accountability. Using such an approach, the research was able to translate the qualitative perceptions into quantitative values that would make it possible to apply tests when analyzing the relationship between the independent and dependent variables, as highlighted by Leavy (2017).

Results and Discussion

Response Rate and Reliability of Research Instruments

Among the 201 questionnaires administered, 148 were filled out and returned, with an overall response rate of 74%, which is satisfactory for analysis and reporting as prescribed by Mugenda and Mugenda (2003). The respondents achieved a good response rate, which made the collected data useful and almost complete for further analysis. Cronbach's alpha was employed to assess the level of reliability of the used research instruments. The variables were aggregative for legislative budget and control function with a Cronbach alpha of 0.810, which is way above 0.7, enhancing the internal reliability and consistency of the instruments used in data collection (Mugenda & Mugenda, 2003). This made it possible to use the finding for subsequent analysis of the research questions using other test statistics.

Table I

Response Rate

Response rate	Sample size	Percentage (%)
Returned questionnaires	148	74
Un-returned questionnaires	53	26
Total	201	100

Source: Author (2024)

Descriptive Analysis

Concerning the demographic data, the majority of the respondents were male, which was at 62.2%, and had a degree level education, which was at 70.3%. In line with the study's objectives, more than half of the respondents (51%) had worked in Nairobi County for 6–10 years, and therefore the sample was composed of experienced respondents in county financial management.

Table II

Demographic Data

	Frequency	Valid %
<hr/>		

Gender	Male	92	62.2
	Female	56	37.8
	Total	148	100.0
Level of Education	Diploma	18	12.2
	Degree	104	70.3
	Masters	26	17.5
	Total	148	100.0
Experience of	1-5 years	56	38
	6-10 years	76	51
	Above ten years	16	11
	Total	148	100.0

Source: Author (2024)

Legislative Budgetary Control and Financial Accountability

This section provides the findings on the role played by the legislative budget control function in enhancing the financial accountability of the Nairobi County government. In more detail, the descriptive statistics presented in Table III show the respondents' views in relation to the budget control process. The respondents equally agreed with the fact that the process of preparing the budget in Nairobi County is consultative since they gave a mean score of 4.1 and a standard deviation of 0.91. This means that stakeholders are significantly involved in the budgeting process, thus enhancing the aspects of transparency and accountability. The participatory approach in the preparation of the budget is a critical aspect of the co-governance where different players are involved before the preparation of the budget.

Budget planning and control received a higher rating in terms of timely completion of budget plans, with a mean score of 4.3 and a standard deviation of 0.88. Respondents opined that Nairobi County is considered to respect time in the execution of the budget, another positive factor in accountability. The timely execution of the budget means that the service delivery plan is implemented as anticipated and that resources within a given budget are optimally utilised to prevent wastage or the delay in delivery of services. However, the mean score of 3.71 for alignment between annual expenditures and the budgeted plans indicates that there is some level of misalignment, as portrayed by the higher standard deviation of 1.17. This result suggests that respondents saw some differences between the planned and the actual expenditures. Such misalignment can be a source of inefficiency and lead to various issues regarding the transparency of the institution's financial management.

In regard to understanding expenditure variances, the mean of 3.65 and the standard deviation of 1.16 suggest that the respondents do not always find the explanations for variances adequate or clear. The variation of responses raises issues concerning the effectiveness of managing and reporting budget variances to the public and the National Treasury. This has a bearing on financial accountability since failure to explain the variances is likely to lead to a loss of public confidence. Finally, the statement regarding whether quality of service delivery corresponds with the funding that has been provided to them in terms of resources got a mean of 3.8 and a standard deviation of 0.98. Most of the respondents agreed that public service delivery is fairly proportional to the resources provided by the public, but there is always an opportunity to enhance the efficiency of the resources provided to the public in terms of service delivery.

Table III

Legislative Budget Control and Financial Accountability

Statement	5	4	3	2	1	Mean	Std. Dev
The budget preparation and process are consultative.	52.7%	33.7%	8.6%	4.7%	0.4%	4.1	0.91

County budget plans are executed on time to avoid challenges that may impair accountability.	2.4%	2%	6.3%	40.1%	49.2%	4.3	0.88
Annual expenditures both for recurrent and development correspond to the budgeted plans.	29%	36%	20.1%	7.1%	7.9%	3.71	1.17
Variances in expenditures are always explained and furnished for public and national treasury attention.	38.4%	24.2%	21.7%	7.1%	8.7%	3.65	1.16
Quality of the service delivery moves along with available allocated public resources from the treasury.	3.1%	5.9%	21.9%	42%	27.1%	3.8	0.98
Grand Mean & Std Dev.						3.9	1.02
Valid list wise (201)							

Source: Author (2024)

Interpretation of Findings

The overall mean of 3.9 across all the statements shows that the respondents had a favourable view that the legislative budget control function in Nairobi County has a positive impact on financial accountability. Although the preparation and execution of the budget have a positive perception, there are issues in matching the expenditures with the budget plans and variance explanation. These findings align with Pimpong and Laryea's (2018) work that established that budget coordination has a positive relationship with organisational performance. While applied in a different setting (Ghana's non-bank financial institutions), the study's concept that proper budget control leads to higher performance can be regarded as applicable to the role of the Nairobi County legislative oversight.

Similarly, Otieno's (2019) analysis on budgetary controls in the public universities of Nairobi County also supports the need to embrace budget planning and coordination with respect to the financial performance. This work supports such conclusions by revealing that although Nairobi County's budgeting process is consultative and timely, the areas of variance reporting and expenditure that require attention are still of concern.

Regression Analysis

A multiple regression analysis to test the relationship between the legislative budget control function and other predictors as well as financial accountability in Nairobi County was conducted. The results of the regression analysis are presented below in Table IV. The model summary reveals that the regression model accounts for 31.3% of the variation in financial accountability ($R^2 = 0.313$), and the adjusted R^2 of 0.288 reveals that after accounting for the number of predictors, 28.8% of the variability in financial accountability can be explained by the predictors used in the study. Looking at the ANOVA table, it can be seen that the overall regression model is statistically significant ($F = 10.337$, $p < 0.001$). This suggests that legislative budget control function and other predictors jointly and substantially account for change in financial accountability. The coefficients of regression show that legislative budget and control function significantly influence the aspect of financial accountability in a positive way ($\beta = 0.077$, $p < 0.05$). The coefficients ($\beta = 0.077$) in this model are unstandardised, meaning that, other aspects being equal, a unit change in the legislative budget control function would be expected to elicit 0.077 units change in the level of financial accountability.

Table IV

Multiple Regression Results

Model Summary						
Model	R	R ²	Adj. R ²	Std. Error		
A	0.559	0.313	0.288	0.51311		
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
A						
	Regression	30.425	4	7.606	10.377	0.001
	Residual	71.107	97	0.733		
	Total	101.522	201			
Coefficients ^a						
Model		Un-standardized. Coefficients		Standardized Coefficients	t	Sig.
A			Std. Error	Beta		
	(Constant)	1.366	0.274		4.985	0.001
	Legislative budget and control function	0.077	0.044	0.092	1.750	0.001

a. Dependent Variable: financial accountability

b. Predictors: (Constant) legislative budget and control function.

Source: Author

Hypothesis Testing

The study aimed at evaluating the hypothesis (H_{01}), which posited that legislative budget control functions have no effect on the financial accountability of Nairobi County. According to the values obtained from regression analysis, therefore, the null hypothesis is rejected. The legislative budget control function has a significant impact on the degree of financial accountability ($\beta = 0.077$, $p < 0.05$), with an R^2 of 0.313, therefore supporting the argument that budgetary controls are a critical determinant of financial accountability. This finding is consistent with Adongo and Jagongo's (2019) work, which also established a significant positive relationship between budgetary controls and financial performance in Kenyan state corporations. The findings support the hypothesis that effective legislative budget control enhances financial accountability and transparency in Nairobi County.

Conclusion

Through this study, it has become evident that legislative budgetary control is a crucial factor in promoting accountability in the financial management of Nairobi County. The study has therefore presented evidence that the legislative budgetary control function is a governmental financial control function that can significantly contribute to transparency, responsible financial management, and good governance. On this note, the study establishes that the legislative budget and control function affects financial accountability as expected, thereby asserting the relevance of the function in ensuring that budget execution is in line with accountability objectives. Hence, the study adds to policy debate by showing how efficient budgetary control measures can enhance accountability, eradicate fiscal mismanagement, and enhance service delivery in public sector institutions. Accordingly, the results indicate the necessity to enhance legislative and audit activities for improving the effective usage of public resources and fulfilling fiscal obligations.

Limitations and Future Research Directions

Several limitations were observed in this study, especially in data collection activities. Though the response rate was high, there is an element of social desirability response bias whereby the respondent might not give an accurate response depending on the information being provided on financial matters. More so, the research only focused on Nairobi County, and therefore the findings cannot be generalized to other counties

or sectors. In future research, investigations comparing other counties in Kenya or other sectors of the public will offer more insights on the usage of the legislative budgetary control in other governance structures. Meanwhile, extending the study to include interviews or focus groups would deepen the knowledge on the relationship between budgetary control systems and financial accountability. This would make it possible to penetrate more into the issues and prospects of the public sector institutions in the application of efficient financial control measures.

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