FACTORS INFLUENCING FINANCIAL MANAGEMENT IN MARSABIT COUNTY GOVERNMENT

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DECLARATION AND RECOMMENDATION

Declaration

This thesis is my original work and has not been presented in any other university or college for the award of a degree.

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Recommendation

We confirm that the work reported in this thesis was carried out by the candidate under our supervision.

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DEDICATION

I dedicate this work to my wife Grace Omar and my children Jesse and Jeremy for their encouragement, prayers, motivation and support during this program.

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ABSTRACT

The issue of management of public resource has elicited a lot of concerns among many stakeholders globally. The purpose for this research was to assess the factors influencing financial management in Marsabit County government. Specifically the study sought: to assess the influence of the of ICT on the financial management in Marsabit devolved government; to assess the effect the regulations on the management of finance in Marsabit devolved government; to examine the effect of internal audit on the financial management in Marsabit devolved government and to assess the effect of staff competence on the management of finance in Marsabit county government.. The study adopted descriptive survey was adopted for this study. The targeted study population was 63 staff members who are Job group K and above from the department of Finance in the directorate of Accounts, Revenue, Procurement and Internal Audit. Given the small number of staff in the finance department of County government of Marsabit census was used. The study employed simple structured questionnaires to gather primary data which was analyzed using SPSS. From analysis of data the study established that each of the five factors namely ICT usage, regulatory framework, internal audit function, staff competency and the timely disbursement of funds are positively correlated with financial management in the county government of Marsabit. However, the most influential factors on financial management include the internal audit function, timely disbursement of funds and staff competency. ICT usage also influences financial management but to lower extent. The regulatory framework on the other hand has the least positive influence on financial management in the county government of Marsabit. The low influence of the regulatory framework is attributed to the fact that there are no effective punitive measures against staff members who misappropriate funds that is why staff members largely ignore the rules and regulations. The study recommended that the county government should invest more in ICT and continue adopting ICT in financial management. The study also recommended implementation of harsh punitive measures against members of staffs of the county government of who disobey rules and regulations. The study also recommended internal audit to be well staffed and resourced so that it is able to carry out regular audits of the county government. The study also recommended the recruitment of employees with requisite qualifications and sufficient experience in the finance department. In addition County government should do continuous staff training to improve their skills. The study further recommended pursuit of timely disbursement of funds from the national government through Council of governors.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABREVIATIONS AND ACROYNMS

E.U	-	European Union
HCT	-	Human Capital Theory
ICT	-	Information Communication and Technology
IFMIS	-	Integrated Financial Management Information System
OECD	-	Organization for Economic Cooperation and Development
PFM	-	Public Financial Management
TAM	-	Technology Acceptance Model

CHAPTER ONE

INTRODUCTION

This chapter provides an introduction and background information about the study. Other sections included in this chapter are the statement problem, research objectives and questions as well as the significance of the study.

1.1 Background of the study

Governments across the world in recent years have implemented a varied range of PFM reforms to improve the effectiveness of public policies and also ensure that public spending is aligned with value creation. According to Bunse and Fritz (2012), many OECD and EU countries including USA, United Kingdom (UK), France, Australia, Denmark, New Zealand and many others have adopted public sector financial management reforms in the last 30 years. Many emerging economies such as South Korea, Russia, UAE, Turkey and Chile have also followed similar suit in reforming their public financial management system over the years. The central focus of the PFM reforms have been performance based budgeting and medium-term expenditure frameworks to achieve economy, efficiency, effectiveness and equity. Most of the reforms have contributed to gradual advancement of public financial management in developed countries even though some of them have not been successful (Bunse & Fritz, 2012).

In Africa, weaknesses in Public financial management have long been viewed as poor governance, poor accountability and non-efficiency in government actions (Fritz et al., 2017). To solve this, many countries in Africa have been reforming their public financial management policies and practice since the 1990s, supported by many regional and international partners. In many countries, the reforms have been dominated by introduction of complex interventions, such as; programme-based budgets, multi-year financing/expenditure plans or integrated financial information management systems which has helped to improve PFM systems in those countries (Kingi & Ibrahim, 2019). However, there has been slow implementation of the reforms which has often been delayed by inadequacy of the capacity in financial management and other institutional factors mostly at sub-national level (ICPAK, 2017). Most countries in the region have a challenge of implementation of PFM interventions at basic or more advanced levels, leading to contradictions in introduction of complex procedures even when basic aspects of budget preparation, approval or timely execution are not fully in place (Kingi & Ibrahim, 2019)

In Kenya, Public Financial Management reforms emanated from challenges earlier experienced that caused misappropriation of public resources, inequalities within redistribution of resources and a lack of checks and balances within the governance system (SID, 2012). The purpose of reforms in Public Financial Management in Kenya was to enhance effectiveness and its efficiency. Another goal is to inculcate transparency and accountability therefore promoting the quality of service delivery. Among the reforms within Kenya's public finance is the IFMIS system that is being used in the National the County governments. IFMIS has been linked with other government systems such as internet banking at the Central Bank of Kenya (CBK) and I-TAX by Kenya Revenue Authority (KRA). It has also been integrated with E-Procurement to allow for online procurement of goods and services (ICPAK, 2017). Robust legal framework has also been developed to support PFM reforms through the enactment of legislations including the, the Public Finance Management Act 2012, and its regulations in 2015 for national and county governments and Public Procurement and Disposal Act 2015 (ICPAK, 2017). Office of the Controller of Budget and office of Auditor General Office have also been created in the constitution giving them the power to provide effective oversight. All the entities of the government are also required to have an audit committee to oversight the use of public finances in that entity. This requirement has made the devolved Governments establish the audit committees so as to comply with the law.

1.1.1 Public Financial Management

Simon et al. (2011) defined Public financial management as various government activities such as mobilization of revenue, allocation, spending and accounting. Public financial management purposes to create wealth and enable the government to generate adequate returns on its investment. The aforementioned objectives represent core tenets of public financial management (Sohand et al., 2011). Public entities should manage public resource with the aim of benefiting the public rather than seeking to fulfill interests of the leaders. To do that effective systems of internal control need to be adopted alongside the law of public resource stewardship. (Boone, & Kurtz, 2013)

According to Ahmad (2013), there are four sub-sectors of public financial management namely budgeting, collection of revenue, financial reporting, regulatory environment, and auditing. Ahmad et al. (2013) also considers governance as one of the subsectors of financial management of public resources. In the opinion of Agranoff et al. (2010) each of the public financial management sub-sectors are crucial to the government and therefore they need to be efficiently and effectively managed for the government to attain its goals of development. Further they also noted that all the six-subsectors are dependent on each other and therefore the government needs to ensure that there are integrated in order to achieve developmental goals.

Financial management plays a crucial role in resource management in every entity of the public institutions and private agencies. It roles focus around comprehensive planning, maintenance of prudent financial balance, providing mechanism of raising capital of sustaining the entity and keeping in check any risk of cash flow challenges. (Gomes, Alfinito, & Albuquerque, 2015). According to Ashkul (2016), financial management involves sourcing of funds and utilizing it efficiently to attain objective of the organization of wealth maximization.

Maina (2016) opined that efficient public financial management is crucial in hastening economic growth and improving wellbeing of the citizens based on the principles of New Public Management. New Public Management advocated for entrenchment of best practices of private sector financial management such as accrual accounting, double entry accounting,value for money audits and measuring and comparison of outputs into public sector to improve public financial management. (Fjeldstad et al., 2013).

Public Financial management Act, 2012 guides public finance management in Kenya both at the national and county level .The Act has provides various procedures, policies and practices that national and county government have to follow in management of public funds. The purpose of the regulations that govern management of public finance are to improve accountability when it comes to collection and utilization of public funds. This laws governing management of public finance envisions effective management of public resources to improve delivery of the service to the public at the county and national level. (ROK, 2016).

Effective Public financial management systems help in strengthening the efficiency, accountability and transparency of the Government systems. Every shilling saved through effective Public financial management systems translate to more resources available for delivering quality services to citizens. The purpose of Public financial management is to ensure optimal utilization of public resources via allocative efficiency, fiscal discipline, equity, value for money and wealth distribution. (Fritz et al., 2017).

1.1.2 County Government of Marsabit

New constitution of Kenya which was promulgated in 2010 brought major change in the governance of the country. A new system of devolved government was adopted which seeks to bring government nearer to citizens with county government at the centre of dispersing economic resources and political power to people at grassroots. The push for devolution was intensified by feeling of being neglected and marginalised, disadvantaged of resources and victimized for political or ethnic affiliations by communities in Kenya. The ability of the county governments to generate wealth and improve welfare of its citizens will depend on how well they will manage the resources in their hand. Experience elsewhere suggests that in order to prosper counties must leverage four key assets; innovation, infrastructure, human capital and information communication and technology (ICT). (Bulle & Ombui, 2016)

Located in upper Eastern Kenya Marsabit County borders to the East Wajir County, South East Isiolo County, Ethiopia to the North, South Samburu County and Lake Turkana to the North West. In terms of land mass it is the largest county in Kenya with an area of 70,961 square kilometers and with a population of 459,785 as per the national census of 2019 conducted by Kenya national bureau of statistics. Since the advent of devolution in 2013 to 2020 County government of Marsabit have received a total of Ksh 44,449,579,798 from national government, development partners and from its own source revenue. Despite the county being better off in terms of development compared to period before devolution, there is a general feeling that that the development that has been achieved during the devolution does not measure up to the resources that have been used for that period. This has been justified by the report of the Auditor general over the period which has identified a lot of gaps in the financial management of county such as poor record keeping, unaccounted funds, poor administrative capacity to enforce taxes and lack of stringent and effective controls leading to misuse of funds. (Auditor General, 2018)

1.2 Problem statement

The Republic of Kenya has made a radical shift in matters involving management of public finances through introduction new governance system with promulgation of the constitution 2010. The office of Controller of the budget, Auditor general and Salaries and remuneration commission were entrenched in the constitution as measures of improving Public financial management. Kenya parliament also enacted Public Finance management Act in 2012 to make sure that county and national governments effectively manage public financial resources. The act defined the oversight responsibilities of national and county assemblies and varying duties of government institutions and other bodies in management of public resources (PFM Act, 2012). Public procurement and Asset disposal act 2015 was also enacted to streamline the process of procuring goods and services within the public. Public Audit Act was also enacted to guide how external audit of the financial statements of public entities are audited.

Despite these reforms analysis of the audit report by the auditor general since establishment of the counties in 2013 paints a grim picture of financial management in the Counties. In 2019/2020 financial year only two of the forty seven counties got unqualified audit opinion while the rest including Marsabit County got modified audit opinions. (Auditor General, 2018). A modified opinion means that the auditor is not satisfied that financial statement of the entity gives a true and fair view of financial management of the entity. Auditor general's reports since establishment of the counties have highlighted lots of problem the counties are facing in managing finances such as weak internal controls, poor financial reporting practices, weak financial administration, poor procurement practices and rush spending of budget at lapse of the financial year. All this point to poor public financial management.

A number of studies have been done locally and internationally on the subject area of Public Financial management. Most of those studies such as Enofe et al. (2013); Zinyel et al. (2018); Zhou (2012); Scot (2017);David (2016);Nwaobia (2012) were done in other countries whose financial footing and legal frameworks are different from Kenya and their findings could not be generalized to institutions in Kenya hence presenting a contextual gap. Studies which were done in Kenya such as Maina (2014) focused on factors influencing public financial management in Kitui central ministerial departments of national government. The study presented contextual gap since it was done in ministerial departments in National Government and not in County governments. Lagat (2016) also examined how systems of internal control affected the management of public financial resources within Baringo County. The research presented a conceptual gap since it did not focus on the effect of internal audit, regulatory framework, and ICT and Internal audit on the financial management. Maina (2016) did a study on effect of regulatory framework on service delivery in the Counties of Nairobi, Kiambu and Kajiado. This presented a Conceptual gap since the study did not focus on financial management. Lugwe (2016) examined factors affecting management of finances in Kenya a case of Kwale County using a secondary data. This presented a methodological gap since the study did not collect primary data using questionnaires nor interviews. This research therefore sought to address this research gaps by examining factors influencing financial management in Marsabit County Government with specific focus on use of ICT, regulations, internal audit, staff competence and Timing of disbursement of funds from National government.

1.3 Purpose of the study

The purpose of the study was to assess the factors influencing financial management in the County government of Marsabit.

1.4 Research Objectives

The main objective of the study was to examine the factors affecting financial management in the county government of Marsabit.

Specific objectives to be examined by the study were:

i. To examine the effect of the use of ICT on the financial management in the county government of Marsabit.
ii. To investigate the influence of regulations on the financial management in the county government of Marsabit.
iii. To determine the effect of internal audit on the financial management in the county government of Marsabit.
iv. To assess the effect of staff competence on the financial management in the county government of Marsabit.
v. To establish the effect of Timing of disbursements of funds from National government on the financial management in the county government of Marsabit.

1.5 Research Hypothesis

The following hypothesis informed the research based on the objectives of the research in regard to the factors affecting financial management in the county government of Marsabit.

$H0_1$ There is no significant relationship between use of ICT and financial management in the county government of Marsabit.

$H0_2$ There is no significant relationship between Regulations and financial management in the county government of Marsabit.

$H0_3$ There is no significant relationship between internal audit and financial management in the county government of Marsabit.

$H0_4$ There is no significant relationship between staff competence and financial management in the county government of Marsabit

$H0_5$ There is no significant relationship between timing of disbursement of fund from National government and the financial management in the county government of Marsabit

1.6 Justification of the study

The research will be beneficial to the county government of Marsabit as it will help them understand the effect of technology, regulations, internal audit and staff competence on the management of finances. The knowledge gained from the study will help the county to come up with policies with regard to those areas to improve their financial management.

The finding of the research will be valuable to academicians and research institutions interested in building their knowledge in the area of public financial management. The finding of this study will also build knowledge on this topic serving as valuable material and arouse more study on the subject in future. The outcomes of the study will also enrich current academic literature on managing financial resources in public institutions.

1.7 Scope of the study

This study focused in examining factors influencing financial management in the county government of Marsabit. The study targeted a population of 63 senior officers in the department of finance in the directorate of accounts, revenue, procurement and internal audit who are involved in the financial management in the county government. Since factors influencing financial management are broad the study was confined to examination of five factors that is internal audit, regulatory framework, and information and communication technology, staff competence and timing of disbursement of fund from National government. The period of the study was between May to July 2021.

1.8 Limitation and Delimitation of the study

The research was not exempted from limitations as far as data collection was concerned. Some respondents were not ready to provide information relating to finances because of sensitivity of the subject matter. In addition, some of the respondents feared that the data could be used wrongly or land in the wrong hands. This limitations was addressed by giving respondents assurance that information provided was confidential and will be considered only for academic use and not for any other purpose. To overcome this the researcher also visited senior officers in person and obtained authority to conduct the research in the county.

1.9 Assumption of the study

The study assumed that current, valid, true and honest information would be provided by the respondents. Secondly, it was assumed that the respondents would cooperate and provide the required information truthfully to the objective. The study also assumes that the targeted respondents are familiar with the county government and involved in the financial management. The study further assumes that the sample size selected represented the study population where the results was analyzed.

1.10 Operational definition of terms

Financial Management: This various activities of the government such as mobilization of revenue, allocation, spending and accounting (Simson et al., 2011)

County Government: Level of government which serve smaller part than state but serve larger area than towns and cities created with powers delegated from the central government. (Mwikali et al., 2015)

Staff Competence: This is staff ability to perform at a satisfactory level in the workplace, also show the quality of the skills and knowledge possessed or needed by any individual which enables them to perform their responsibilities and duties effectively and improve the quality of their professional employment (Bernard et al., 2017)

Financial Regulations: This is supervisory practice that requires financial institutions to adhere to specific restrictions, guidelines and requirements so as to maintain integrity within the financial system (Wabwoba, 2012).

Internal audit: This is independent and objective assurance and consulting activity that intends to add value and improve for operation of the organization. It enables an organization to review its risk management, governance processes and internal control and improve its effectiveness. (Alemu et al., 2019).

Information Communication and Technology (ICT): This is a technology used to aid information collection, processing, formulation and presenting it in a meaningful form. (Kioko et al., 2015)

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter of the reviewed theoretical and empirical literature on factors influencing management of finance in the context of county government. Theoretical literature outlines the theoretical framework guiding this research, while empirical literature offers information on similar studies that had been conducted. It also present conceptual framework that shows how independent variables are related with dependent variables.

2.2 Theoretical Literature

This research used five theories to explain to explain study variables: Human capital theory, Institutional Theory, Technology Acceptance Model (TAM) and Lending Credibility theory. All the five theories are explained as shown below**.**

2.2.1 Human Capital Theory

The human capital theory was advanced by Mincer (1958), Schultz (1961), and Becker (1962). The theorists believe that individuals' acquisition of skills makes them more productive and the increased productivity as a result of skills then results to higher income. The theory asserts that labor should be exploited as a capital. Crook et al. (2019) posits that human capital is flexible and adaptive; it develops organizational competencies and enhances individual competencies.

Becker (1962) furthers state that Human capital theory is founded on the belief that a population's productive capacity is dependent on formal education which equips individuals with needed skills and aptitude. He further suggests that productivity increases with the level of education within the society, and the reverse is also true. According to Crook et al. (2019), human capital is a processes that is concern with acquisition of academic qualifications, training, and other professional pursuits that aims at increasing the levels of skills, understanding, capabilities, beliefs, and employee's social assets, which leads to employee satisfaction, better performance, and at the end leads to improved organizational performance.

One of the key strength of HCT is that it aids researchers and stakeholders in policy formulation to assess the correlation between training and academic development and an individual's economic progress. Human capital theory is valuable because it enables policy makers and researchers to evaluate how education, experience and training promote social and economic outputs in the society. Research done within human capital theory opines that with an increase in schooling, individuals' wages increase, participation in civic duties increases, health improves while crime rates fall. (Netcoh, 2016)

One of the criticisms against the human capital theory is its assumption that education automatically leads to an increase in productivity and higher wages without providing an explanation as to how education enhances wages of individuals. Another limitation is that applications of HCT at higher level assume education is a uniform input. It assumes that attainment of higher education levels will result to higher productivity and wages uniformly among the people in the society. Such assumption of education might not be accurate because the course of human capital formation varies from one individual to another (Netcoh, 2016)

This theory is useful in this research as it will help to elaborate the effect of staff competence on the performance of financial management in the county government of Marsabit.

2.2.2 Institutional Theory

Scott (2004) describe institutions as comprised of attributes of normative, regulative and cultural cognitive which together with resources and activities give stability and essence to social life. He explained that institutions has three pillars that is normative, regulatory and cultural cognitive. Under the regulatory pillar, rules and sanctions are important in enforcing expedience within the public sector management. Under the normative pillar, compliance in the public sector is informed by the norms and values within respective institutions. On the other hand, cultural-cognitive pillar is about shared beliefs and symbols as ways of governing behavior within public institutions.

The strength of institutional theory is of its explanation of organizations as constituting social systems, which is a corrective measure to prevailing argument which elaborates organizations in decontextualized and rationalist ways (Greenwood et al., 2014).

Critics of institutional theory note that it has lost focus of its assertion to examine organizations but instead assessing field –level institutions and its processes. Another criticism is of its tendency to view all organizations as if they were homogenous ignoring apparent heterogeneity of organizations and theorizing differences across organizations (Greenwood et al., 2014).

This theory is useful to this research as it helps to understand the essence of laws and regulations in the institution of devolved systems of governments and its effect on the financial management. Management of finances in Kenya is guided by constitution of Kenya Chapter 227 and several other pieces of legislation such as Public procurement and disposal Act 2015 and Public Financial management Act 2012. This theory will be used in study to understand the effect of regulations on the management of finance in the county.

2.2.3 Technology Acceptance Model (TAM)

An individual's use of a particular technology is influenced by two factors including ease of use and perceived usefulness. According to Davis (2001), the two elements determine an individual's willingness to use a particular technology. Perceived ease of use is concerned with the ability of the technology to make an individual's work more efficient and less energy-consuming. Perceived ease of use of a technology encourages an individual to use a particular technology because it makes the individual's work easy to handle. According to Permatasari et al. (2018), perceived ease of a technology increases when the technology's usage is clear, easily understood, flexible, easily learnable and can be controlled with ease.

One of the strength of TAM and the main reason for its popularity is because of the fact that the model can be easily understood and applied even though from a practical point of view the model may not be adequate (Kurniabudi et al., 2014). Ajibade (2014) noted that some of the notable strengths of TAM are: It is great to explain attitude toward using information system, it predicts intention of use quite well and it is easier to apply. Ajibade (2014) also noted that limitation of the TAM is its application of general information in regards to the usefulness of the technology.

One Criticism of TAM emanates from variable which speaks about behavior of the users. Interpersonal influence is a subjective norm which suggest that a person can be influenced by a friend or a colleague through a word of mouth. Employee can be influenced by to perform a certain task using technology by his superior as per the IT policy. A friend or a colleague cannot influence an employee directly who is subjected to his/her line manager. Other Criticism is that behavior because of its various subjective factors such as values and norms and individual attributes and traits cannot be correctly quantified and as result the suggestion that friends and relatives can influence use technology on employee through applying social pressure cannot be justified(Ang et al.,2015)

Government policy regarding ICT has recently pursued the establishment of electronic systems in financial management such as e-payments, e-procurement and revenue collection through digital platforms. Use of technology by government is majorly aimed at improving service delivery and sealing loophole in management of public resources (Mugambi, 2019). Technology Acceptance Model is relevant in this study as it helps to understand how perceived ease of use and perceived usefulness of information technology in the workplace affect management of the finance in the county government of Marsabit.

2.2.4 Lending Credibility Theory

Limperg (1932) is credited with the development of the lending credibility theory. According to this theory, audit is important within organizations because it enhances the trustworthiness of financial statements and the procedure of financial management thereby enhancing the efficiency of a firm. When the organization is audited, the confidence of its monetary transactions, declarations and figures to the stakeholders are raised. Audited financial statements assure users of the financial statements that all assertions therein are true and dependable for decision-making purposes. Consequently, users' decisions in respect to organizations are determined by the audited financial reports. Auditing of financial reports also compel the management of organization to manage financial resources in a manner that promotes the interests rather than pursuing individual selfish interests (Mecha, 2015).

Management used audited financial statements to enhance stakeholders' faith in the stewardship of the management. For stakeholders to make decisions based on the information presented in the financial reports, they must be assured that the data supplied meets threshold of faithful representation. It is only such assurance that would encourage stakeholders to relay on the financial reports for decision-making. Process of audit lessens information asymmetry whereby management knows more than the stakeholders (Mwangi, 2018).

Gahman and Ali (2015) criticizes Lending Credibility theory because it asserts that information the auditor gives on the financial statements forms primary basis for stakeholder decisions on the organization. However, according to the efficient markets theory investment decisions of investors are not determined by only audited financial reports but other factors as well.

Nevertheless, this theory is applied in this research to examine the influence of internal audit on the financial management of the county government.

2.2.5 Resource Based View Theory

This Theory was advanced by Penrose in 1950 who illustrated organization as a pool of resources. Resource based theory argues that the resources of the organization is a major predictor of an organizations competitive advantage and performance. This theory categorizes resource in two different ways that is tangible and intangible resources. Intangible resources enable accomplishment of business process and the intangible resources helps organization to have competitive advantage by aiding organizations to acquire valuable and distinctive practices (Ray et al., 2001). Barney (1991) opined that resource based theory is founded on two assumptions that is; resources are distributed heterogeneously within organizations and the other assumption being productive resources being non-transferable from one organization to another without acquiring cost.

Resource based theory (RBV) advance that competitive advantage is best attained by using present internal resources. This has drawn a lot of critics within management and leadership, and other theories and frameworks such as the industrial organization view which place more importance on regulatory policy, strategic planning and the activity of market competition. The other criticism is that the proponents of RBV frameworks advices managers to find and grow high potential resources, using the VRIO (a four-question framework of value, rarity, imitability, and organization) framework but do not suggest how this should be done, and in reality managers may not be able to improve the available resource. It fails to mention the ability of the leaders and managers to improve the systems and processes that generate higher-value resources that could over a long period have a more substantial effect on the organization performance. The Other criticism of resource based theory is that it is considered to be practical only when viewed in a competitive environment which is stable. This is because unpredictable markets such as technology industry, new inventions and innovations can affect the value of resources drastically. This can make previous activities which were formulated to create sustainable advantage null and void.

This theory is relevant in this research as it explain the effect timely disbursement of funds from national government to County government on the financial management of the Counties. Funds released from the National government is tangible resource of the County government which predicts its competitive advantage and performance.

2.3 Empirical Literature

This part outlines a review of related empirical literature that has been done on the factors influencing financial management in the devolved government focusing on the four objectives of this study. The gaps established on those reviewed studies are presented as summary of research gaps at the end of this chapter.

2.3.1 Internal audit

Internal auditing is defined as an independent, objective, consulting and assurance activity aimed at adding value and enhancing an organization's operation in accomplishing its objectives. It also brings a disciplined and systematic technique to evaluation and improvement of the effectiveness of internal control, risk management, and governance processes (Alemu et al., 2018). Internal audit is important within the spheres of public financial resource management because it promotes an effective and efficient way of managing public resources. Internal audit is also useful in the sense that it promotes the adoption of a system of internal controls to safeguard an organization's resources. Internal audit serves different purposes including evaluation of the extent to which an organization's process complies with financial regulations and measures. Internal audit also examines the efficiency of internal controls and assesses the manner in which public resources are utilized whether the use is in line with public policy. Additionally, the internal audit evaluates the credibility of records, identified anomalies in records and ensures that inventory records are aligned with physical inventory in the organization (Zinyel et al., 2018)

Nwaobia et al. (2016) conducted a study to examine internal audit and how it is related with the management of public financial resources in Rwanda and Nigeria. The study design adopted was desktop research. Based on the findings of the study, internal audit is useful in promoting transparency in public sector management. However, the study further showed that the role of internal audit can be enhanced through being given autonomy and also supplied with adequate infrastructure and human capital. Likewise, transparency in financial management can be achieved if the management of public institutions operates within the country's constitutional framework as a guide for preparation and the presenting of financial reports. The timely submission of the auditor's report is also useful in promoting accountability and transparency in financial resource management.

In addition Alhassan (2018) also undertook a research to find out how internal audit relates with management of public financial resources within the Cape Coat Metropolitan Assembly at Central Region of Ghana. Correlation analysis formed the basis of data analysis in the study. The study findings indicated that professional competence, internal audit standards, internal control and internal audit independence have a positive influence on the effectiveness of managing public finances. The study recommended members involved in internal audit to update their skills and knowledge in tandem with changes in the technological field. This updating of skills will enhance their ability to offer high quality internal control measures. In the same manner, the research recommended promotion of the independence of auditors. Internal auditors are not required to under the influence of the managing director of the organization to make sure that the auditor has sufficient independence in execution of duties. Internal auditor's independence promotes objectivity of the reports thus ensuring that organizations manage public resources effectively.

A study by Zinyel et al. (2018) on internal audit practices and how they affect financial management revealed that effective internal audit promotes efficient management of public financial resources. The study was based on questionnaire and interviews which were used to gather data from staff in the audit and accounting departments in universities in Ghana. Results indicated that investment in internal audit promotes effective management of public financial resources and that challenges within the internal audit department undermines effectiveness in the management of public financial resources.

Additionally Alemu et al. (2018) did a study to assess the role of internal audit in promoting the effective use of public resources within public entities in Ethiopia. Primary research was conducted with respondents being staffers within public bureaus in Ethiopia. The findings of the research showed that internal audit is useful in promoting the effective use of public resources. Nevertheless, the study identified challenges within the internal audit environment that undermined its effectiveness namely inadequate expertise, inadequate professional development opportunities, poor managerial support, and inadequate ICT infrastructure. Likewise, other challenges within the internal audit environment include poor perception of the audit function and restricted access to the audit evidence. The aforementioned factors undermined the contribution of internal audit towards improving public financial resource management.

Further Wambui (2019) did a study of role internal audit plays in the financial performance of commercial banks which are listed in Kenya. Research questionnaire was used to collect data from the respondents and descriptive research design was used. Sample population was 104 people covering the finance staff, internal audit departments, the audit committees and the risk departments of the 11 listed commercial banks in Kenya. The Study concluded that the competency of the internal audit coupled with technical skills enhance an organization’s performance. Similarly it concluded that Internal audit will be valuable in performance its roles if its staffs are qualified so as to ensure control weaknesses are reported in time, and remedial measure are taken to avert wastage and losses in the entity. The study recommended that internal audit department should be properly resourced and continuous training given to auditors to enhance their skills and update their knowledge with current developments in the sector.

2.3.2 Information and Communication Technology

Listyarini et al. (2016) defined ICT as any use of technology to gather, access, manipulate and present meaningful information at the end. Kioko et al. (2015) suggested that ICT is a technology employed to gather and process data, formulation and presentation in a meaningful outcomes. ICT has been used in diverse areas and in all those areas, the common aspect is its acceptance to facilitate movement of data using a wide variety of technologies to help in making decisions within institutions (Koltay, 2016).

Use of Information communication technology (ICT) in financial management has enabled organization create an improved working environment and better its service delivery. Al-Rahimy (2016) opines that ICT has enabled modern competition of business globally with institutions focusing more on improving their efficiency to a good service to the customer. Private entity and public entity should consider information and communication technology as a better approach in employing efficiency in management, better service delivery with benefits such as improved decision making, improved productivity, faster communication, better storage and retrieval of information. (Mugambi, 2019)

The biggest Impact of Information and Communication Technology (ICT) on the financial management has been made on accounting that is its ability on the organization to develop and use computerized system to record and track financial transactions properly and accurately. The recording of financial transactions manually on papers, and Spread Sheets has been transformed and computerized for easy and quick presentation of individual financial transaction and give report on it. (Kirmani, 2015)

In Kenya, the government has introduced wide range of reforms in trying to improve how its financial resources are managed and this been cascaded down to the devolved units since their establishment in the year 2013. One of those reform is introduction of e-government where ICT is not only meant to take public services online, but also aims at reducing overall operational costs with objective of creating sustainable social and economic value to citizens (World Bank, 2015)

The Public Financial Reform Management (PFMR) Strategy Paper 2013-2018 helped in establishing a solid foundation for Public financial Management automation where Integrated Financial Management Information System (IFMIS) was introduced in all Ministries, Departments and Agencies (MDAs) and Counties. Implementation of IFMIS enabled integration of key government functions such as procurement, accounting, human resources payroll and budgeting and it brought efficiency and transparency in financial management of the government entities (GOK, 2018). There was a general agreement that a fully functioning IFMIS will improve financial management by providing up-to-date financial information to stakeholders in financial management thereby ensuring that efficient management of public resources (Cherono, 2016).

Listyarini et al. (2016) did a study to examine the awareness of stakeholders on the benefit of using ICT on financial management in public universities in the republic of South Korea. The information was collected from five related institutions to evaluate their adoption of ICT from the year 2010 to 2015. The data was gathered using questionnaires and the findings of the survey, was that there was a general agreement from the respondents that ICT enhances financial management of the public universities.

Additionally David (2016) did a study whose main aim was to examine the effect of government services automation on public expenditure absorption in France using a case of World Bank funded project. The study used a framework that identified critical stakeholders' impact measured on the user perception. The study established that there were tentative confirmation that through the automation of government operations in public expenditure an improvement on accountability was evident.

Similarly Kirmani et al. (2015) did a study on how ICT affects the process of managing finances in public institutions within the Indian financial service. The study observed that inadequate usage of ICT in financial markets makes it difficult for the markets to respond to new trends. Likewise, financial companies in market where ICT is not used face a disadvantage particularly in terms of acquiring the needed information. In the same manner, the research indicated that the usage of ICT has a strong positive influence on the ability of firms to maintain accountability when reporting on their performance. Among the conclusions of the study was that when ICT is used in reporting on financial aspects of institutions, significant improvements are reported in the area of cost incurred in running the organizations, accountability, comprehensive budgeting processes and also simplicity in the keeping of records.

Further Mugambi (2019) did a study on ICT technology usage in managing finances within the Meru county government. The research was aimed at finding any influence that ICT may have on the way public resources are managed by devolved government units. The specific goals of the research entailed investigating the effect of automating collection of revenue, budgeting, procurement and the management of cash on the aspect of managing public resources. The study established that automation of government budgeting process, revenue collection, procurement process and managing of cash improved financial management within Meru County greatly.

2.3.3 Regulatory framework

The Kenyan constitution has several laws and subsidiary legislation that gives comprehensive framework that determine management of finances in the government. In August 2012, the Kenya Parliament brought into law the Public Finance Management Act, 2012 to guide process of managing public resources for the governments. The act also defined the oversight responsibilities of Parliament and other bodies involved in governance and management of public resources (PFM Act, 2012). Expected changes in the structure of governance has been take care of in the PFM Act and it also provided yardstick of measuring financial performance of public sector along attributes of economy, effectiveness and efficiency. Other legislations have also been enacted to regulate financial management such as Public Procurement and Asset Disposal Act 2015 which guides how procurement of goods and services are done in government. The other legislation is Public Audit Act which guides how auditing of use public resources should be carried out. Office of the Auditor General has been entrenched in the Constitution and also a framework for public participation in the budget making process has been enhanced (ICPAK, 2017).

The importance for regulatory frameworks upon which to operate a system is one of the key considerations in all human interactions both at a personal level and organization level. Set of laws, rules and standards under Public Financial Management (PFM) are useful in managing systems as well as processes that are applied governments to oversee the processes of collecting revenue, allocating public resources, facilitating the spending of public resources and ensuring that audits are undertaken appropriately (ICPAK, 2017). The goal of managing public resources in accordance with the regulatory framework and as opined by ICPAK is to enhance efficiency, transparency in using public resources and doing away with public resource wastage.

Ekpo (2016) did a study to investigate how financial regulations in Nigeria affect the management of public resources. The research sought data from 172 public servants as well as politicians within the ministries in the government. The participants took part in interviews to find out how the personnel perceived financial regulations and their influence on the management of public resources. The study results showed that personnel in the public service largely ignore regulations of managing finances within their offices. Consequently, procedures related to procuring goods and services are not followed appropriately creating loopholes for the loss of public resources. In this light, the research recommended that processes of managing financial resource be closely monitored and evaluated and that any action disregarding such procedures be punished accordingly.

Additionally Scot (2017) also undertook a research to evaluate the influence of regulatory frameworks of public management on the service delivery. The research was carried out in Ghana district assemblies. A mixed research design was adopted where numerical and non-numerical data were gathered using, interviews and questionnaires. Documentary analysis alongside focus groups was also used in the study. 34 out of 170 assemblies existing in 2008 were used as samples. The study established that Public Financial Management Regulatory Framework practices did significantly influence service delivery. The researcher recommended that staffs of the District Assemblies should be trained to enhance their understanding of PFM policies, laws and regulations so as to perform their duties within the regulatory framework for efficiency.

Similarly, Maina (2016) also did a study on how the practices of managing public resources affected how services are delivered in three counties namely Nairobi, Kiambu and Kajiado. One of the research objectives was to determine the effect of the regulatory practices on the service delivery in the selected counties. The study established that government regulations in public funds management have a positive effect on the service delivery in those selected counties. The result also established that laws on the public fund management were strict and stated punitive measures against officials who misappropriated public funds but however officials who misappropriated public funds were often times neither prosecuted nor lost their status.

Further Lugwe (2016) did a study on factors influencing the process of managing public resources in counties within Kenya. The study was carried out in the County Government of Kwale. One of the goals of the research was to examine how government regulations affect financial management in devolved units. The study established that government regulations have a significant effect on the financial management of devolved government. The study recommended that management of devolved units should develop departments in charge of compliance to understand developments in regulations and how they affect financial management activities. It also recommended internal audit should be engaged to help devolved entities to find ways of handling binomial question of service delivery while working within the law.

2.3.4 Staff Competence

Goldin (2014) defines human capital as the stock of productive skills, talents, knowledge and expertise that labor possesses. Goldin furthers explains that there are combinations of skills which an employee gains on the job through training and experience and which improves that employee value in the market place. Jonah (2019) also defines human capital as the skills, experience and knowledge on technological know-how possessed by employees of an organization to influence production and performance of the institutions.

According to Djurica and Janiac (2014), knowledge, skills, innovativeness, creativity, ability to learn and other valuable features people own are a crucial element in modern economy, both for the employee earning capacity and competitiveness and economic performances of the organization. Human Capital further consists of creativity, initiative, innovativeness, adaptability, motivation, persistence, flexibility, expertise, skills, experience, devotion to organization, flexibility, teamwork training ,loyalty, ability to establish and grow relations with other employees in the company and its partners, willingness to accept changes and ability to learn (Djurica & Janiac, 2014). As a factor of production human capital has a controlling effect on other factors in production of goods and in service delivery. (Jonah, 2019)

Bernard et al. (2017) defined Competence as ability to perform or execute a task or job based on skills, knowledge and backed up by the morale required to perform the job. They further explained that Competence as a person's ability to perform at a satisfactory level in the workplace. It also what shows the quality of the knowledge and skills needed by any individual which enables them to perform their duties and responsibilities effectively and improve the quality of their professional employment. Sagara (2015) opined that human resource in finance department is competent if they have accounting background, often follow up by continuous training and equipping with skills, and financial experience.

Friolina et al. (2017) did a study to establish effect of competence, commitment and communication the civil servants job performance in Indonesia. The research was carried out in department of environment and transportation (DET) in Bondowoso, Indonesia. Based on findings, competence was a predictor of job performance. Employees with strong competence levels were able to perform in a superior way compared with the less competent counterparts. Therefore, to improve performance of employees, it was necessary that such personnel possess high competence levels.

In addition Osei (2015) also studied the level of competency of the employees and how it affected their service delivery within the Ghanaian pharmaceutical industry. 280 employees took part in the research and therefore constituted the sample of the study. The study concluded that employee's competence enhances organizational performance. Among the recommendations was that firms should support their respective employees particularly with respect to continuous learning and equipping of employees with necessary skills is useful in enhancing their skill level and improving the quality of their work.

Additionally Bashir et al. (2017) did a study to find out how the competence of managers affected the output of employees in Wajir County. The county is composed of 2000 employees but the study could not be carried out on all the employees because of logistical problems. Using a sample of 244 employees, the research was conducted to find out the skills of workers and how they affected performance. From result of the findings it was established that possession of when employees possessed specific skills such as technical, informational and human, their performance automatically improved. Consequently, one of the recommendations of the study is for the management to ensure that employees are equipped with necessary skills in order to deliver higher output in the organization. This could be achieved through training employees on a regular basis. Such training will ensure that the employees' skills are continuously updated.

Manuni et al. (2019) also did a study on how employee competencies are affecting employee job performance in humanitarian organizations by investigating the world food programme in Kenya. Study outcomes indicated that academic competencies are valuable in enhancing the performance of employees. Leadership skills were also found to enhance job performance but not as much as academic qualifications. Still the research revealed that communication competencies were valuable in improving job performance similar to the competencies relating to the solving of problems. Competencies are therefore of great value as far as the employees performance are concerned. Based on the study outcomes they recommended that firm's employees need to enhance their competencies in the areas of solving problems, communication, leadership and technical aspects to achieve strong performance.

Similarly Wambui et al. (2017) did a study to find out how competencies relating to human resources affected effectiveness of managing financial resources within Nairobi County. A sample of 61 Non-governmental organizations was selected from the Non-governmental organizations located in Nairobi County. The respondents were financial managers in every selected Nongovernmental organization. Study outcomes revealed that majority of respondents indicated that staff competence has significant effect on the financial management system effectiveness. The researchers recommended management of organization human resource to be fully functional in with constant training of the staff to ensure enhancement of up to date competences and improved knowledge in financial management

Further Jonah (2019) did a study to examine how human capital affects performance of counties that are found in the South Eastern Kenya region. The objective of study sought to establish how employee resourcing and staff training influence performance of the counties in the region of South Eastern Kenya. The study targeted senior staff totaling to

179 comprising of Sub-county administrators, Assistant directors, Deputy Directors, County directors, Chief Officers and County Executive Committee Members in the County departments in the county government of Kitui, Makueni and Machakos. The Study concluded that employee resourcing has no effect on performance of County governments. Further the Study concluded that staff training and development has a statistically significant effect on the performance of the county governments. The study recommended career advancement programmes to be established to aid in retaining top talents and skills, to improve employee output, breed knowledge and improve succession plan of roles which are non-political.

2.3.5 Disbursement of funds from National government

National government transfers fund to the County governments after passage of division of revenue bill by the parliment. These funds are usually in form of equitable share, Conditional grants and equalization fund. The disbursement process involves requisition from the counties as per need, the fund request being approved by the Controller of the budget and the National treasury (Kengara, 2014).Fund disbursement from National government should be a straight forward process but this has always not be the case. It involves a complex process which is subjective in nature leading to counties delaying receiving funds .Counties are always complaining the way national government have been disbursing funds in Kenya. Most of the Counties are relying on bank loans to meet their basic need such as salaries as they are hit by the Cash crunch. Governors have warned that national treasury's failure to release funds will halt their operation. This challenge of disbursement of funds to counties has been a common occurrence in Kenya since the start of devolution (Owour, 2018). Failure to release funds in timely manner has significantly led to the failure of most projects to be completed in most of counties. Most of the projects have been left uncompleted due to failure to receive enough funds on time. (Kamau & Muturi, 2015)

Mutheu and Muturi (2016) did a study in Nyandarua County on factors influencing performance of projects in county in Kenya. Their findings showed that counties failed to complete projects in time because of challenges associated with project funding. This was shown by below 60% agreement by respondents on the features of the project; Project fund allocation and project funds disbursement. This findings clearly established that lack of timely funding prevented completion of projects funded by county on time.

Further Saisi, Ngahu and Kalio (2015) examined financial factors affecting timely completion of projects in public universities. The study employed descriptive research design. Respondents were employees from project management, and finance departments. Date was obtained from respondents through structured questionnaires. The study established delay in completion of construction projects in the institutions was attributed to that late disbursement of funding. The study also established that Access to infrastructure funds contributed a lot to performance of the projects greatly as it significantly reduced completion period of the project.

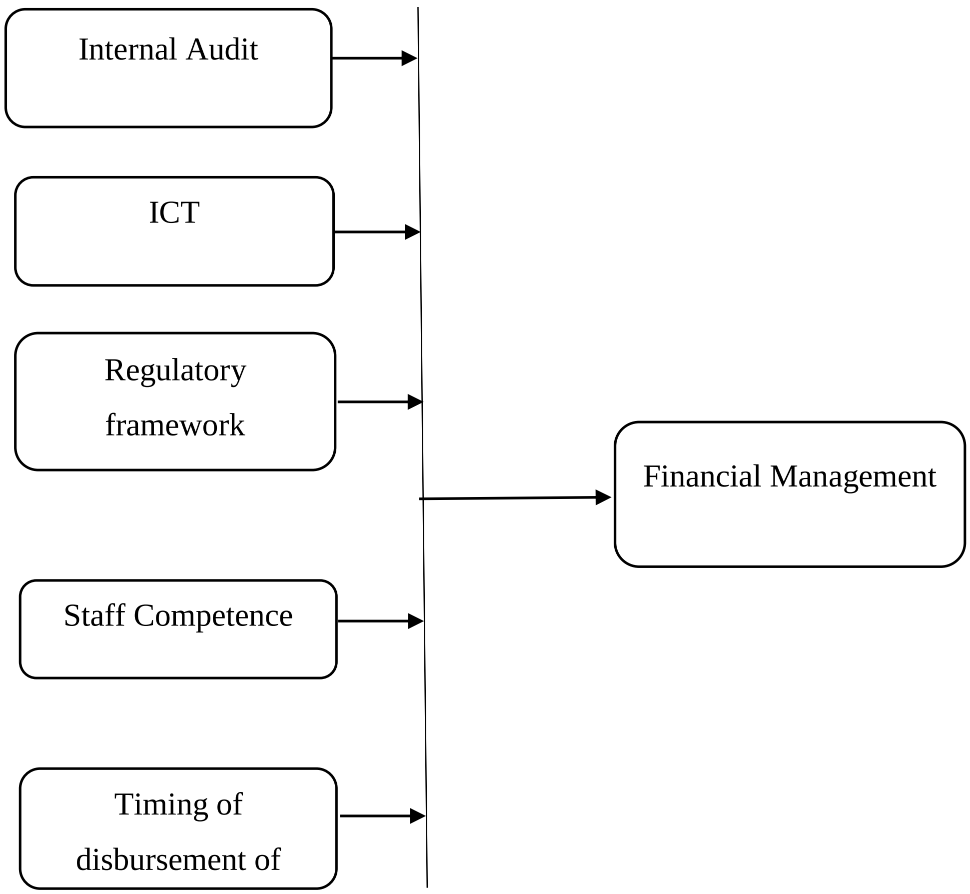
Additionally Namaswa and Juma, (2018) investigated how bureaucracy affected disbursement of funds to the devolved Governments in Kenya. The study used a descriptive survey and 62 finance employees of the County Government of Bungoma as target population. Census sampling procedure and Questionnaire was used for the data collection. The study established that bureaucracy has a significant effect on timely disbursement of funds to the county governments in Kenya. They concluded that efficient funds disbursement in county government is a big factor leading to projects success.

2.4 Conceptual framework

A conceptual framework is an outline which describes the relationship between variables in the phenomenon being examined. It connects the general idea with the concepts, theories and empirical research used to illustrate the research (Adom et al., 2018). It can also be looked from the statistical viewpoint as a relationship between the independent and dependent variables. It is usually organized diagrammatically showing the independent and dependent variables to help the researcher in developing an awareness of the phenomenon under study. Conceptual framework helps to simplify the understanding of the relationship between the two variables as shown by the diagram below. For this study the following variables are summarized in the below conceptual framework: Internal Audit, Information and Communication Technology (ICT), Government regulation and Staff competence as Independent Variable and Financial Management as Dependent Variable.

Figure 2. 1

***Conceptual Framewor*k**



Independent Variables **Dependent Variable**

Source (Researcher, 2021)

Table 2. 1

Operational framework

Variable		Indicators
Dependent Variable	Financial Management	-Credible and Policy Budget -Transparency and Accountability -Accurate recording and reporting -Few or no incidences of corruption. -Predictability and Control in budget -Optimum collection of revenue
.		
Independent Variable	Internal Audit	-Existence of Audit Committee -Independence of Audit function -Frequency of Carrying out Audits -Staffing and funding of Audit
	Information and Communication Technology	-Budgeting Automation -Cash management Automation -Revenue Collection Automation -Procurement Automation
	Regulatory framework	-Public Financial management Act -Public procurement Act -Manuals, policies and Circulars -Oversight Bodies such as Controller of the budget
	Staff competence	-Staff Academic qualification -Level of staff Financial Skills -Year of experience in finance field -Being a member of professional body
	Timing of Disbursement of Fund From National Government	-Frequency of Disbursement -Adequacy of funds disbursed -Bureaucracy in fund disbursement Process -Compliance with regulations that Govern disbursement of funds.

Source (Researcher, 2021)

2.6 Research Gap

Research studies reviewed above reveals various gaps that this study aim at bridging. The first gap is that most of those studies are done in far-off regions from Kenya such as France (David, 2016), Turkey (Zaim et al., 2013), South Korea (Listyarini et al., 2016), Indonesia (Friolina et al., 2017), Nigeria (Nwaobia, 2016; Enofe et al., 2013), Ghana (Scot, 2017; Osei, 2015) and Ethiopia (Zinyel et al., 2018). The studies have been done in the context that is different from Kenya hence presenting a contextual gap since their findings cannot be generalized to institutions in Kenya.

The other research gap identified was that only few studies were conducted in the county governments. Research studies such as Zinyel et al. (2018) did effect of internal audit in financial management in one of the universities in Ghana. Wambui (2019) undertook a research on the influence internal auditing on the financial performance in the banking industry in Kenya. Listyarani et al. (2016) did a study to examine the awareness of stakeholders on benefits of using ICT on financial management in Public Universities in republic of South Korea. David (2016) did a study to examine the effect government service automation on public expenditure absorption in France using a case of World Bank Funded Project. Osei (2015) did a study on the effect of employee's competency on organizational performance in pharmaceutical industry in Ghana. All these studies did not focus on public sector precisely the county governments hence revealing a contextual gap that this study aims to bridge.

Despite various research done on the financial management none of them look at the influence of internal audit, Information and Communication Technology, Regulatory framework and staff competency on the financial management as a whole. None of the reviewed studies was also conducted in the County Government of Marsabit hence this research tried to fill this gap.

2.7 Chapter Summary

This chapter analyzed various theories that explained variables in the research. The key theories discussed include; the Human Capital theory which was used to explain the influence of staff competency on financial management, Institutional theory which was used to explain the effect of regulation on the financial management, Technology Acceptance Mode (TAM) used to explain effect of ICT on financial management, Lending credibility theory used to explain the effect of audit on the financial management and Resource based theory was used to explain effect of timing of disbursement from National government to County government. Related literatures informing the variables of the study were also reviewed under this section. The chapter further outlined the conceptual framework presenting figuratively variables being examined.

Most of the studies reviewed are conducted in diverse contexts whose financial system and footing differs from Kenya's and therefore their findings could not be generalized to Kenyan institutions. Most of the studies reviewed also did not focus on the county government. This research sought to address this inadequacy by examining factors influencing financial management in the county government of Marsabit.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes in detail techniques adopted in conducting research studies. It outlines the design of research, the study's population that includes the criteria used in selecting the study's case and the sampling procedures. The chapter further explains techniques engaged in data collection, analysis and presentation, and concludes with the ethical considerations observed while conducting the study. Basically, it presents a detailed research outline giving details of techniques of getting the needed information to fulfil the goals of this research.

3.1 Research Design

Research design is an outline of how a research can be carried out constituting a guide for collecting, measuring and analysing of data. It constitutes a guide for collection, measurement and analysis of data (Kothari, 2013). The research design that was used in this study was descriptive survey. Descriptive survey is an approach by which data is gathered using interviews or questionnaires (Kombo&Tromp, 2013). The main attribute of survey design is description of specific features of a large group of persons or institutions using questionnaires (Jaeger, 1988). This design was appropriate because it enabled the researcher to observe the behavior without influencing it and objectively making inferences. According to Njihia (2017), descriptive research design is ideal to get accurate profile of persons, situations and events. This design will help the study to collect the data in the county government of Marsabit and test the relationship of the study variables empirically. The design is also selected because of its ability to protect against bias and is reliable. (Kothari, 2013).

3.2 Location of the study

The Study was conducted in the department of Finance County government of Marsabit in the directorate of Procurement, Accounts, Revenue and Internal Audit located in the County headquarters Marsabit Town**.**

3.3 Target Population

A population is the entire pool from which a measurable sample is drawn and usually, the population has some common noticeable attributes, (Calmorin, 2010). The target population of this study was 63 staff members (Job group K and above) from the department of Finance in the directorate of Accounts, Revenue, Procurement and Internal Audit. Selection of the officers (Job group K and above) in the department is justified because they have adequate information and involved in financial management of the county government of Marsabit.

3.4 Sampling Techniques and Sample Size

Kothari (2013) defines sampling as a process choosing participants of the study from the population which will then form the basis of the study. A sample refers to a segment of the population whose attributes are a representation of the whole population and as such it is suitable for conducting the research. A sample is further defined as a part of the population which is chosen and studied as a representation of the population because its features are equal to the features of the population. Given the small number of staff who are in job group K and above in the finance department of County government of Marsabit census was used. Hence the total 63 staffs from the finance department participated in the study.

Table 3.1

Distribution of Sample in the Finance Department

Directorate	Number Of Staff
Procurement	20
Accounts	20
Revenue	15
Internal Audit	8
Total	**63**

Source: County Directorate (2020)

3.5 Data Collection Instruments

This refers to instruments employed to gather data. In this study, the instrument of data collection and recording was the five (5) point Likert scale questionnaire. It comprised administrative details, a list of questions, space for answers and clear instructions on how to complete it. The reason of using the questionnaire is that it offers respondents views in a structured way. According Borg and Gall (2003), questionnaires allow the researcher to gather large quantities of data about specific variables relating to the phenomenon being investigated. This allows the researcher to examine how specific attributes of the phenomenon vary and affect one another. Questionnaires are beneficial because they allow the gathering of a large array of data. They also allow respondents to provide unbiased data owing to the anonymous nature of the questionnaires. Finally, questionnaires allow the researcher to collect large quantities of data using little effort (Kombo & Tromp, 2013). The questionnaires was completed at the convenience of the respondents to eliminate the variations in the questioning process. A sample of the questionnaire is attached as Appendix 1.

3.6 Procedures for Collecting Data

Before the start of data collection, the researchers obtained an introduction letter from the Kenya Methodist University. Upon clearance, the researchers ensured that questionnaires are distributed to the selected sample of people working in Marsabit County Headquarter. Questionnaires make the process of gathering data to be easy since many participants are reached in the data gathering process. In course of distributing questionnaires, the objective of the study were explained to the respondents. The questionnaires were given using the technique of drop and later collect. Control was put in place to guarantee that all instruments given to the participants are obtained by keeping a tool register showing what has been distributed and returned.

3.7 Validity Test

Validity is defined as the extent to which the outcome from analysis of the data represent the actual phenomenon (Kothari, 2013). Validity of the data collection tool was ensured by using basic language free from jargon that will be easily understandable by the respondent (Yin, 2013). In addition, validity of the content was assured by having research supervisors and other experts review the instrument and recommend necessary changes. To check for content validity, Six (6) questionnaires was pre-tested using senior officers from finance department from neighboring County of Isiolo. Riff, Lacy and Fico (2014) stated that that 5 to 10% of the population sample is adequate for pre-testing.

3.8 Reliability Test

This research used Cronbach's Alpha (α) to test the questionnaire's reliability. It shows how far a set of sample items can be handled as a single latent variable (Cronbach, 1951). For this research, the suggested value of 0.7 was used as a reliability cut-off. To be accurate, the Cronbach alpha value must be at least 0.7 or greater.

3.9 Data Processing and analysis

Data analysis includes cleaning and transforming the information gathered in order to arrive at significant result (Silverman, 2018). Data gathered using the information questionnaire was coded, checked for completeness and precision, then analyzed using quantitative methods to obtain descriptive statistics / outputs. To process the information, the research used SPSS version 23. The software was applied to generate descriptive and inferential statistics to come up with demographic generalizations and findings. Quantitative data analysis would enable the research to create inferences by defining specific information stream features objectively and systematically (Creswell & Creswell, 2017).

3.9.1 Analytical Model

To establish relationship between the dependent variable and independent variables, multiple regression model was used. In this report, financial management is a dependent variable whereas, technology use, regulations, internal audit and staff competence are independent variables as shown below:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \varepsilon$$

Where Y is dependent variable (Financial Management)

X1–Use of Technology

X2–Regulations

X3 –Internal Audit

X4 –Staff competence

X5–Timing of disbursement from National government

α – Constant

β –Beta Coefficients

ε–Error term

3.9.2 Test of Significance

To establish significance of research model in establishing effect of ICT, Regulations, Internal Audit, staff competence and timely disbursement of funds on the financial management an Analysis of Variance (ANOVA) and T-test was used. F significance value was generated from ANOVA Statistics. The data was analyzed at 95% confidence level. To determine how statistically significant the regression equation is F statistic was used and the t statistic was used to establish the statistical significance of coefficient of the study.

3.10 Ethical Consideration

Ethical factors are norms or standards of conduct that differentiate between right and wrong which the researcher should put into consideration in all phases of research. Those who were participating in the study were asked for the consent and those who were not ready were not coerced to do so. The information collected were not manipulated or altered but were reported as received while any sources cited were referenced according to American Psychological Association (APA). Respondents were given option to provide their names in the process of gathering data with the purpose of protecting their confidentiality in case the finding of the study were to be published. Researcher obtained consent from National Commission for Science, Technology and Innovation (NACOSTI) and university prior to conducting the research.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents an analysis of data on the response rate, reliability analysis, and background information for participants. The chapter also includes an analysis of data on the impact of ICT, regulatory framework, internal audit, staff competence and timely fund disbursement on financial management in Marsabit county government.

4.2 Response rate

The research targeted 63 senior staff members from the department of finance in the Marsabit county government as participants for the study. However, after the data collection process, the research gathered 55 dully filled in questionnaires. This shows that the response rate for this research was 83.7%. According to Kothari (2009), a response rate exceeding 70% is suitable for data analysis. Table 4.1 below is a summary of the response rate:

Table 4.1

Overall response rate

Managers	Questionnaire distributed	Questionnaires returned	Percentage
Procurement officers	12	10	83.3
Internal Audit officers	6	5	83.3
Accountants	34	30	88.2
Revenue officers	10	9	90
Chief officer finance	1	1	100
Total	**63**	**55**	**83.7**

4.3 Background information of respondents

The background of respondents was assessed to ascertain that they could provide accurate data concerning financial management in Marsabit county government. The required information include gender, age, and their experience in the county government and their level of education

Table 4.2

Respondent Gender

	Frequency	Percent
Male	39	71.0
Female	16	29.0
Total	**55**	**100.0**

From table 4.2 above, 71% of participants were male whereas 29% were female. There was a fair distribution of genders meaning that the research could get a balanced opinion from both genders concerning financial management in the county government of Marsabit.

Table 4.3

Respondents' age

	Frequency	**Percent**
18 to 35 yrs	18	32.7
36 to 45 yrs	25	45.5
Over 45 yrs	12	21.8
Total	**55**	**100.0**

From table 4.3, 32.7% of the participants were aged between 18 and 35 years, 45.5% of the participants were aged between 36 and 45 years while 21.8% of the participants were aged above 45 years. From the above statistics there was a fair age distribution of participants in the study and they are active and mature enough to cooperate and provide valuable information.

Table 4.4

How long respondent have been employed in the county

	Frequency	Percent
1 to 5 years	18	32.7
6 to 11 years	25	45.5
12 years and over	12	21.8
Total	**55**	**100.0**

According results from table 4.4, 32.7% of participants had worked in the organization for a period ranging from 1 to 5years, 45.5% of participants had worked in the organization for a period ranging from 6 to 12 years while 21.8% of participants had worked in the organization for a period exceeding 12 years. This means that participants in the research have had sufficient experience with the county government of Marsabit and as such, they were able to provide reliable information concerning financial management in the county government.

Table 4.5

Respondents' level of education

	Frequency	**Percent**
Certificate	0	0
Diploma	8	14.5
Bachelor's degree	37	67.3
Bachelor's degree and above	10	18.2
Total	**55**	**100.0**

From table 4.5, there was no participant whose highest qualification was certificate. 14.5% of participants had diploma as their highest level of education, 67.3% of the participants were bachelor's degree holders while 18.2%of participants had a bachelor's degree qualification and above. Based on the results, participants had sufficient qualifications to be able to provide useful information about financial management in the county government of Marsabit and its influencing factors.

4.4 Reliability analysis

The study relied on studies by Haele and Twycross (2015); Bonett and Wright (2014) which show that Cronbach alpha values between 0.7 and 0.9 infer acceptable internal consistency in a data collection instrument. The study conducted a pilot study of 6 respondents who were working in finance department in the Neighbouring Isiolo County to determine the reliability of the questionnaire prior to the actual collection of data.

Table 4.6

Reliability Result

Variables	Cronbach's Alpha Values
ICT	0.82
Regulatory Framework	0.78
Internal Audit	0.84
Staff Competence	0.83
Timing of Disbursement of Funds	0.82

According to Table 4.5 the data from the study can be relied upon because all the independent variables cronbach's Alpha lie are above 0.78 which are above acceptable thresholds 0.7.

4.5 Descriptive statistics

4.5.1 The use of ICT in financial management in Marsabit county government

The research first sought to find out the extent to which respondents believe that Marsabit county government uses ICT in its financial management. Results were summarized as shown in table 4.7 below:

Table 4.7

The use of ICT in financial management in Marsabit county government

	N	Minimum	Maximum	Mean	Std. Deviation
Marsabit county government has automated the budgeting process, revenue collection process, procurement and cash management	55	1	5	3.11	1.301
ICT has simplified the keeping of financial records within Marsabit county government	55	1	5	3.51	1.275
Marsabit county government uses ICT to provide up-to-date financial information to stakeholders on financial management	55	1	5	2.82	1.263
Marsabit county government uses ICT to gather and process data for guiding financial decisions	55	1	5	3.60	1.285
Composite Mean & Standard deviation				**3.26**	**1.281**

From table 4.6, Marsabit county government has automated the budgeting process, revenue collection, procurement and cash management evidenced by a mean score of 3.11. Likewise respondents indicated that Marsabit County uses ICT to simplify keeping of financial records with a mean score of 3.51. Additionally, the findings show that Marsabit county government uses ICT to gather and process data to guide financial decisions evidenced by a mean score of 3.60. However, Marsabit has not been able to employ ICT in providing up-to-date financial information to stakeholders in financial management evidenced by its mean score of 2.82, which is below 3.0. Nonetheless, Marsabit county government generally applies ICT in financial management as evidenced by the composite mean of 3.26.

4.5.2 Regulations and the financial management in Marsabit county government

The research also sought to examine the application of the regulatory framework in the financial management in Marsabit county government. Table 4.8 summarizes the findings:

Table 4.8

The regulatory framework on the financial management in Marsabit county government

	N	Minimum	Maximum	Mean	Std. Deviation
Staffs in the county government of Marsabit are aware of and clearly understand all the laws and regulations for the management of public resources	55	1	5	3.80	1.161
The laws and regulations are adhered to and those who break them are punished accordingly	55	1	5	2.62	1.225
Existing regulatory framework clearly clarifies how the public funds are to be utilized for better service delivery	55	1	5	3.64	1.267
Existing laws and regulations helps to curb wastages and corruption in managing public finances	55	1	5	2.84	1.229
Composite Mean &Standard deviation				**3.225**	**1.221**

Based on the findings, staff in Marsabit county government understands clearly laws and regulations for the management of public resources with a mean score of 3.80. Likewise, results show that the existing regulatory framework clarifies how public funds need to be used for better service delivery with a mean score of 3.64. However, laws are not adhered to and there is no severe punishment for those who break the laws evidenced by the mean of 2.62. Likewise, the view that existing laws and regulations curb corruption and wastages has a mean score of 2.84 which shows that existing laws do not curb against corruption and wastages in Marsabit county government.

4.5.3 Internal audit function in the Marsabit county government

The research was also conducted to assess the use internal audit in Marsabit county government with results summarized in table 4.9:

Table 4.9

Internal audit function in Marsabit county government

	N	Minimum	Maximum	Mean	Std. Deviation
The county government of Marsabit has a functional audit committee	55	1	5	3.82	1.348
Internal Auditors perform their duties with a greater degree of autonomy and independence from Management	55	1	5	3.13	1.218
The internal Audit department of Marsabit county government conducts regular audit activities	55	1	5	2.82	1.454
Internal audit department is adequately staffed and well-resourced to carry out their functions	55	1	5	2.73	1.471
Composite Mean &Standard deviation				**3.125**	**1.373**

Respondents indicated that Marsabit county government has a functional audit committee with a mean score of 3.82. Likewise, findings showed that internal auditors perform their duties with a greater degree of autonomy evidenced by a mean score of 3.13. However, the view that the internal audit conducts regular audits has a low mean of 2.82 meaning that internal does not undertake regular audits. Likewise, the view that the internal audit department is well staffed and resourced has a mean score of 2.73, which is below 3.0 also showing that the department is not well resourced and staffed.

4.5.4 Staff competence in Marsabit county government finance department

The research also examined the level of staff competence in Marsabit county government's finance department with results summarized in table 4.10 below:

Table 4.10

Staff competence in Marsabit county government

	N	Minimum	Maximum	Mean	Std. Deviation
Staffs working in the county government of Marsabit finance department possess requisite academic qualifications	55	1	5	3.80	1.223
The county government of Marsabit offers continuous training of its staff on financial management	55	1	5	2.62	1.225
The county government of Marsabit has staff in the financial management department with sufficient experience	55	1	5	2.71	1.227
Staff in the Marsabit county government's financial department are members of professional bodies like ICPAK, IIA and CPSPK	55	1	5	3.42	1.228
Composite Mean &Standard deviation				**3.14**	**1.23**

Based on the results, staff members in Marsabit county government possess requisite academic qualifications with a mean score of 3.80. Likewise, staff in Marsabit county government's financial management are members of professional bodies like ICPAK, IIA and CPSPK with a mean score of 3.42. However, the view that the county government offers continuous training of staff in financial management has a score of 2.62 which shows that the government does not offer continuous training since the mean score is below 3.0. Additionally, the view that county government has staff with sufficient experience has a mean score of 2.71 which is lower than 3.0 and therefore, most staff members in the county government's financial management department lack adequate experience.

4.5.5 Timing of fund disbursement from National government

The research also sought to find out the timing of funds disbursement from national government to Marsabit County government. Results were shown in table 4.11 below:

Table 4.11

Timing of fund disbursement from National government

	N	Minimum	Maximum	Mean	Std. Deviation
The county government can be able to access large amount of funds any time they require.	55	1	5	2.62	1.421
The funds are accessed frequently as need for financing arises	55	1	5	2.80	1.471
The county government meets requirements for accessing funds timely from the national government	55	1	5	3.22	1.329
The national government complies with the disbursement schedule for county funds approved by the senate	55	1	5	2.64	1.432
Composite Mean &Standard deviation				**2.82**	**1.41**

The view that the county government can access large amount of funds any time they require had a mean score of 2.62. Considering that it is lower than 3.0, it signifies that the county government does not access funds when needed. The view that fund are accessed frequently had a mean score of 2.80 indicating that the county government does not access funds frequently. The view that the national government complies with the fund disbursement schedule approved by the senate had a mean score of 2.6 further indicating that the national government does not adhere to the fund disbursement schedule. The view that the county government meets requirements for timely disbursement of funds had a mean score of 3.22 indicating that County government fulfills all requirements of accessing funds from National government whenever they are requesting for funds. The composite mean for timely disbursement was 2.82 which show that the national government does not do timely disbursement of funds to the county government since the mean score is below 3.0.

4.5.6 Financial management in Marsabit county government

This research also sought to find out the efficacy of financial management in Marsabit county government. Results are shown in table 4.12

Table 4.12

Financial management in Marsabit county government

	N	Minimum	Maximum	Mean	Std. Deviation
The county government of Marsabit undertakes credible and policy-based budgeting	55	1	5	3.71	1.149
There is transparency and accountability in the management of public resources in the county government of Marsabit	55	1	5	2.84	1.411
There are few or no incidences of fraud and corruption in the county government of Marsabit	55	1	5	2.65	1.456
The county government of Marsabit undertakes accurate recording and reporting of its financial information	55	1	5	3.62	1.178
There is predictability and control in the budget execution of the county government of Marsabit	55	1	5	3.20	1.311
County government of Marsabit is collecting its revenue to its optimum capacity	55	1	5	2.53	1.303
Composite Mean &Standard deviation				**3.09**	**1.301**

The statement asserting that the county government undertakes credible and policy-based budgeting has a mean score of 3.71. Considering that it is higher than 3.0 the county government conducts policy-based budgeting. Most of the respondents are in agreement that the county government undertakes accurate recording and reporting of its financial records as shown by a mean score of 3.62. Additionally most respondents are of view that there is predictability and control in budget execution in Marsabit County as shown by mean score of 3.20. However, most respondents' view that county government does not exhibits transparency and accountability in financial management as shown by a mean score of 2.84. Likewise, the view that there are few or no incidences of fraud and corruption in the county government has mean score of 2.65.Since the mean score if below 3.0, most respondents agree that there are incidences of corruption and fraud in the county government. Finally most respondents are of the view that Marsabit county government does not collect its revenue to its optimum capacity as shown by a mean score of 2.53. The composite mean for financial management in Marsabit county government is 3.09 showing that there is some level of expedience in financial management in Marsabit county government.

4.6 Regression analysis

Regression analysis was conducted to establish the effect of ICT, Regulations, Audit, staff competence and timely disbursement on the financial management in the Marsabit county government. The result of the study are as shown in the following sections.

4.6.1 Correlation Analysis

Correlation analysis was conducted to establish the relationship between the independent variables and the dependent variable the study. Pearson Bivariate correlation coefficient was used to establish correlation between the dependent variable (Financial Management) and the independent variables (ICT, Regulations, Internal Audit, Staff competence and

Timely Disbursement). The relationship is presumed to be linear if correlation coefficient falls between -1.0 (perfect negative relationship) to +1.0 (perfect positive relationship) (Sekaran, 2015). Coefficient of correlation is used to measure strength of the relationship between independent and dependent variables (Kothari & Gang, 2014).

Table 4.13

Model summary on the independent variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
X_1	.407[a]	.166	.150	1.301	1.853
X_2	.308[a]	.095	.078	1.355	2.012
X_3	.691[a]	.478	.468	1.029	1.922
X_4	.581[a]	.338	.326	1.159	2.216
X_5	.572[a]	.328	.315	1.168	1.967

a. Predictors: (Constant), X_1 X_2 X_3 X_4 X_5 where X_1 is ICT,X_2 is regulatory framework,X_3 Internal Audit, X_4 is Staff Competence and X_5 being Timely disbursement of funds

b. Dependent Variable: Financial management in the county government of Marsabit

Table 4.13 illustrates five hypothesized predictors of financial management in Marsabit county government including the percentage variation in financial management accounted by each of the predictor variables. The result shows that there is a positive relationship between dependent variable which is financial management and all independent variables (ICT, Regulatory framework, Internal Audit, Staff competence, Timely disbursement of funds from National government). The results also shows that the Durbin-Watson value for each of the predictor variables was higher than 1. This signifies that there is no autocorrelation between the variables and the model was suitable for the data analysis process.

A confirmatory factors analysis was done evaluate the research model. To determine the success of the model and predict causal relationship between dependent and independent variables, the five factors were then subjected to linear regression analysis as shown by table 4.14 below.

Table 4.14

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.793[a]	.629	.591	.903	2.054

According to Table 4.14 results of the study indicates that the coefficient of determination was R^2= 0.629, implying ICT, regulations, Internal Audit, staff competence and timely disbursement explains almost 62.9 % of variation in financial management of Marsabit County Government.

4.6.2 Analysis of Variance (ANOVA)

To determine the significance of the regression model Analysis of Variance (ANOVA) was used. The result was considered statistically significant was considered if the p-value was less or equal to 0.05.

Table 4.15

ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	67.604	5	13.521	16.595	.000[b]
Residual	39.923	49	.815		
Total	**107.527**	**54**			

a. Dependent Variable: Financial management in the county government of Marsabit

b. Predictors: (Constant), ICT, Regulations, Internal Audit, Staff competence, Timely disbursement

According to Table 4.15 The P-value of the regression model is 0.00. Since the P-value is less than 0.05 it shows regression model is statistically significant in predicting financial management of Marsabit County Government. Analysis shows the high reliability of results obtained based at confidence level of 95%. The overall results from ANOVA shows that the model was significant at F = 16.595, p = 0.000

4.6.3 Regression coefficients

To determine the relationship between dependent variable(Y) and five independent variables, a multiple regression analysis was conducted. Finding were as shown in the table 4.16 below

Table 4.16

Regression coefficients

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**T**	**Sig.**
1(Constant)	1.253	0.518		2.42	.019
ICT	0.451	0.139	0.407	3.249	.002
Regulatory framework	0.343	0.146	0.308	2.355	.022
Internal audit function	0.801	0.115	0.691	6.962	.000
Staff competency	0.671	0.129	0.581	5.203	.000
Timely disbursement of funds	0.608	0.12	0.572	5.081	.000

a. Dependent Variable: Financial management in Marsabit county government

b. Predictors: (Constant), ICT, Regulations, Internal Audit, Staff competence, Timely disbursement

Given the regression coefficients of the predictor variables in the Table 4.16, the financial management of Marsabit County Government would be predicted using the following model.

$$\mathbf{Y=1.253 + 0.451X1 + 0.343X2 + 0.801X3 + 0.671X4 + 0.608X5 + \varepsilon}$$

Whereby y is the dependent variable (financial management), X1 is the use of ICT in financial management within Marsabit county government, X2 is the regulatory framework for the management of public resources in Marsabit county government, X3 is Internal audit function within the county government, X4 is staff competence within the county government of Marsabit while X5 is the timely disbursement of funds from National government to the Marsabit county government.

Based on the regression equation, when all the five factors namely use of ICT, regulatory framework, internal audit, staff competency and timely disbursement are considered constant at zero, and financial management will have a score of 1.253. Likewise, based on the data, if independent factor are considered to be zero, a unit improvement in ICT usage causes 0.451 improvement in financial management, a unit improvement in regulatory framework causes 0.341 improvement in financial management, a unit improvement in internal audit function causes 0.801 improvement in financial management, a unit improvement in staff competence brings forth 0.671 improvement in financial management while a unit improvement in timely disbursement of funds causes 0.608 improvement in financial management in Marsabit county government. This shows that internal audit functions contributes more to financial management in Marsabit county government, followed by staff competence, timely disbursement of funds, then ICT usage and finally the regulatory framework contributes the least among the five factors.

4.7 Determinants of financial management in Marsabit county government

4.7.1 Effect of use of ICT on the financial management in Marsabit county government

The first null hypothesis ($H0_1$) predicted that there is no significant relationship between use of ICT and financial management in the county government of Marsabit. Based on Regression table 4.16, the significant level, P=0.002 which illustrates a strong evidence against the null hypothesis. This shows that ICT usage has a significant positive relationship with financial management (r=0.407, table 4.13) in Marsabit county government. This research therefore rejects the null hypothesis concluding that ICT usage improves financial management in the county government of Marsabit. The R^2 between ICT usage and financial management is 0.166 (table 4.13) meaning that ICT usage explains 16.6%variations in financial management in Marsabit county government.

The above results support the results of a previous study undertaken by Kioko et al. (2015) which indicated that the use of ICT improves financial management in county governments by aiding in the gathering and processing of data, formulating and presenting of meaningful outcomes to help in decision-making. Likewise, according to Cheromo (2016), fully functional Integrated Financial Management Information System (IFMIS) bring forth improvement in financial management within county governments by through the provision up-to-date financial information to stakeholders in the sector of financial management thereby promoting efficient management of public resources. In the same manner, a study by David (2016) indicated that ICT facilitates automation of public financial management processes thereby improving accountability and transparency in the management of public resources. The above results also concurs with Mugambi (2019) who concluded that automation of government budgeting process, revenue collection, procurement process and Cash management had a positive effect on financial management. Listayarani et al. (2016) similarly concluded that ICT has a positive impact on the financial management of the public universities.

4.7.2 Effect of regulatory framework on financial management in Marsabit county government

The second null hypothesis ($H0_2$) predicted that there is no significant relationship between regulations and financial management in the county government of Marsabit. Based on the Regression table 4.16, the significant level, P=0.022 which illustrates a strong evidence against the null hypothesis. This shows that the regulatory framework has a significant positive relationship (r=0.308, table 4.13) with financial management in Marsabit county government. This research therefore rejects the null hypothesis concluding that the regulatory framework improves financial management in the county government of Marsabit. The R^2 between the regulatory framework and financial management is 0.095 (table 4.13) meaning that the regulatory framework explains 9.5% of variations in financial management in Marsabit county government.

The above results show that even though the regulatory framework influences financial management in county governments, the effect is quite low. This low influence of the regulatory framework on financial management can be attributed to the extent to which staff at the county governments adheres to the regulatory framework. According a research by Ekpo (2016), the presence of an adequate regulatory framework in Nigeria did not improve financial management in the government because public servants largely ignored such regulations. Likewise, a study by Maina (2016) on the effect of regulations on financial management the county governments of Kiambu, Kajiado and Nairobi revealed that staff members misappropriated funds because the regulations did not provide deterrent punitive measures against people who misappropriated funds. However, a research by Scot (2017) on the relationship between regulatory framework and financial management in Ghana showed that punitive measures against misappropriation of funds promoted financial management in governments. The results of this study also agrees with Lugwe (2016) that regulations had a positive effect on the financial management in the devolved units.

4.7.3 Effect of internal audit on financial management in Marsabit county government

The third null hypothesis ($H0_3$) predicted that there is no significant relationship between internal audit and financial management in the county government of Marsabit. Based on the Regression table 4.16, the significant level, P=0.000 which illustrates a very strong evidence against the null hypothesis. This shows that the internal audit function has a significant positive relationship (r=0.691, table 4.13) with financial management in Marsabit county government. This research therefore rejects the null hypothesis concluding that the internal audit function positively influences financial management in the county government of Marsabit. The R^2 between the internal audit function and financial management is 0.478 (table 4.13) meaning that the internal audit function explains 47.8% of variations in financial management in Marsabit county government.

The above results echo the views of Alemu et al. (2018) whose study on the role of internal audit on financial management showed that internal audit promotes financial management in county governments by bringing forth disciplined and systematic technique to evaluation and improvement of the effectiveness of internal control, risk management, and governance processes. Likewise, a study by Zinyel et al. (2018) showed that internal audit improves financial management in the management of public resources by evaluating the credibility of records, identifying anomalies in records and ensuring that inventory records are aligned with physical inventory in the organization. While echoing the above views, Nwaobia et al. (2016) also asserted that internal audit promotes transparency in public sector management. The above results also agrees with Alhassan (2018) who established that internal audit has significance influence on the financial management.

4.7.4 Influence of staff competence on financial management in Marsabit county government

The fourth null hypothesis ($H0_4$) predicted that there is no significant relationship between staff competency and financial management in the county government of Marsabit. Based on the Regression table 4.16, the significant level, P=0.000 which shows a very strong evidence against the null hypothesis. This shows that staff competence has a significant positive relationship (r=0.581, table 4.13) with financial management in Marsabit county government. This research therefore rejects the null hypothesis concluding that staff competence has a positive impact on financial management in the county government of

Marsabit. The R^2 between staff competency and financial management is 0.338 (Table 4.13) meaning that staff competency explains 33.8% of variations in financial management in Marsabit county government.

The above results support the findings of a study by Sagara (2015) which showed that continuous staff training on accounting and finance equips employees with knowledge and skills carry out effective financial management. Likewise a study by Osei (2015) confirmed that competence levels of among employees positively impacted the service delivery among employees in the Ghanaian context. Similar views are echoed by Bashir et al. (2017) showed that competency levels among managers in Wajir county improved financial management in the county. Friolina et al. (2017) also established that competence have a positive and significant effect on the performance of the employees. Similarly the result of this study also agrees with Wambui et al. (2017) who established that human resource competency has a positive effect on the financial management effectiveness.

4.7.5 Influence of timely disbursement of funds from National government on the financial management in Marsabit county government

The fifth null hypothesis ($H0_5$) predicted that there is no significant relationship between timely disbursement of funds and financial management in the county government of Marsabit. Based on the Regression table 4.16, the significant level, P=0.000 which shows a very strong evidence against the null hypothesis. This shows that timely disbursement has a significant positive relationship (r=0.572, table 4.13) with financial management in Marsabit county government. This research therefore rejects the null hypothesis concluding that the timely disbursement of funds has a positive impact on financial management in the county government of Marsabit. The R^2 between timely disbursement of funds and financial management is 0.328 (Table 4.13) meaning that the timely disbursement of funds explains 32.8% of variations in financial management in the county government of Marsabit

The above results echo the findings of a study undertaken by Keng'ara (2014) which showed that the timely disbursement of funds positively impacts financial management within county governments coupled with successful accomplishment of projects. Similarly, Mutheu and Muturi (2016) on their study on factors that affect performance of projects in the county government in Kenya: a case of county government of nyandarua concluded project funding is one major factor behind failure in timely completion of the projects. The above result also agrees with Namaswaand Juma (2018) who concluded that efficient funds disbursement is one of the major factor affecting success of the projects in the devolved government.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This Chapter outlines Summary, conclusions of the study and recommendations. The chapter is composed five sections. The first section presents summary of the study. The second section presents conclusions of the study. The third section presents recommendations of the study. The fourth section presents limitations of the study while the fifth part presents a suggestion for future study.

The purpose of the study was to examine the factors influencing financial management in Marsabit County government. Specifically the study sought: to examine the influence of the use of ICT on the financial management in Marsabit devolved government; to assess the effect the regulations on the management of finance in Marsabit devolved government; to examine the effect of internal audit on the financial management in Marsabit devolved government and to assess the effect of staff competence on the management of finance in Marsabit county government.

Empirical literature relating to past studies were reviewed. Contextual and methodological gaps were identified from those past studies. Various theories that explained research variables were analyzed. The key theories discussed include; the Human Capital theory which was used to explain the influence of staff competency on financial management, Institutional theory which was used to explain the effect of regulation on the financial management, Technology Acceptance Mode (TAM) used to explain effect of ICT on financial management, Lending credibility theory used to explain the effect of audit on the financial management and Resource based theory was used to explain effect of timing of disbursement from National government to County government.

A descriptive survey was adopted for this study. The targeted study population was 63 staff members who are Job group K and above from the department of Finance in the directorate of Accounts, Revenue, Procurement and Internal Audit. Given the small number of staff in the finance department of County government of Marsabit census was used. The study employed simple structured questionnaires to gather primary data which was analyzed using SPSS. Content validity was used ensure quality of the data and Cronbach's alpha was employed to ensure research instrument reliability. Standard deviation, mean and regression analysis was used to analyze data which was presented using tables.

5.2 Summary of major findings

Findings of the study were summarized under each of the research objectives as shown below.

5.2.1 The effect of ICT usage on financial management in Marsabit county government

The first objective of the study was to examine the effect of ICT usage on financial management in the Marsabit county government. The study established that Marsabit county government has automated the budgeting process, revenue collection, procurement and cash management. The study also established that Marsabit County uses ICT to simplify keeping of financial records. However, Marsabit has not been able to employ ICT in providing up-to-date financial information to stakeholders in financial management. Further, the study findings indicated that ICT usage in the Marsabit county government has positive effect on financial management.

5.2.2 The influence of regulations on financial management in Marsabit county government

The second objective of the research was to evaluate the influence of regulations on financial management in the county government of Marsabit. Study findings showed that existing laws and regulations clearly clarify how public funds should be used for better service delivery. Additionally, staffs within Marsabit county government are aware of the laws and regulation governing management of public resources. However, there are not effective punitive measures against misappropriation of funds in the county government and as such existing laws do not help curb wastage and corruption in the management of public finance. Nevertheless, regulations have a positive impact on financial management in Marsabit county government but the effect is low relative to other predictor variables. The low effect is attributed to the fact that personnel in the county government largely ignore such regulations.

5.2.3 The effect of internal audit on financial management in Marsabit county government

The third objective of the research was to examine the effect of internal audit on financial management in Marsabit county government. The findings of the study showed that while Marsabit county government has a functional and autonomous audit committee, county government does not conduct regular audit of its financial reports and the audit department is not adequately staffed and well-resourced. Despite, the above outcomes, the study showed that the internal audit department has a strong positive effect on the financial management in the county government of Marsabit. The study further showed that the internal audit department serves to promote strong internal controls within financial management thereby promoting transparency and accountability in financial management within the county government.

5.2.4 The effect of staff competence on financial management in Marsabit county government

The research also sought to evaluate the effect of staff competence on financial management in Marsabit county government. The study findings showed that staff in Marsabit county government possess requisite academic qualifications and are also members of professional bodies. However, there is laxity in the continuous training of staff in financial management and also a good number of staff in the county government have inadequate experience in financial management. Nonetheless, the findings of the study indicated that staff competency has a positive impact on financial management in Marsabit county government.

5.2.5 The effect of fund disbursements on financial management Marsabit county government

The research also sought to find out the effect of the timing of disbursement of funds from national government on financial management. Based on the findings, Marsabit county government meets requirements for accessing funds timely from the national government. Despite meeting such requirements, the county government has not been able to access large amount of funds any time they require and has also not been able frequently access funds when financing need arises. Additionally, the findings of the research showed that the national government has no effectively complied with the disbursement schedule for county funds as approved by the senate. The study findings also showed that the timely disbursement of funds positively impacts on financial management in the county government of Marsabit. The untimely disbursement of funds by the national government is one of the factors that undermine effective financial management in the county government of Marsabit.

5.3 Conclusion

The study observed that financial management in Marsabit County is good characterized by county government undertaking a credible and policy-based budgeting. County government of Marsabit also undertakes accurate recording and reporting of its financial records and there is predictability and control in budget execution in Marsabit County. However, most respondents' view that county government does not exhibits transparency and accountability in financial management. Most of the respondents also of the view that Marsabit county government does not collect its revenue to its optimum capacity. Other Conclusions are generated from research objective below;

5.3.1 ICT usage and financial management in Marsabit County

The study concluded that Marsabit County is using ICT in its financial management. The study further concludes that use of ICT has a positive effect on the financial management of County government of Marsabit.

5.3.2 Regulations and Financial management in Marsabit County

In regards to regulations it was concluded that there is low compliance with rules and regulations guiding financial management in Marsabit. The study also concludes that regulations have a significant effect on the financial management in Marsabit County.

5.3.3 Internal Audit and Financial Management in Marsabit County

The study concludes that the Marsabit County has a functional internal audit committee and internal auditors perform their duties with great autonomy and independence. The study further concludes that internal audit has strong positive effect on the financial management in Marsabit County.

5.3.4 Staff Competence and Financial management in Marsabit County

The study concludes that staffs working in the finance department of Marsabit County are Competent. The study further concludes that competence of staff working in the finance department has an effect on the financial management of the county government.

5.3.5 Timing of Fund disbursement and the Financial Management in Marsabit County

The study concluded that Marsabit county government was not getting timely disbursement of funds from the national government. The study further concluded that timing of disbursement of funds from national government has an effect on the financial management of the county government.

5.4 Recommendations

Based on the result from first objective the study recommends that the county government should invest more in ICT and continue adopting ICT in financial management through automation of its financial management practices such budgeting, revenue collection, cash management, procurement and reporting as it has been established that use of ICT has a positive effect on the financial management.

On the second objective the study recommends implementation of harsh punitive measures against members of staffs of the county government of who disobey rules and regulations concerning financial management. Such a strategy will reduce cases of misappropriation of funds thereby promoting transparency and accountability in financial management. The study also recommends that the county government executive should initiate improvement of the financial management regulations through council of governors in areas they are weak to curb wastages and corruption in management of public resources.

On the third objective the study recommends internal audit to be well staffed and resourced so that it is able to carry out regular audits of the county government. This will improve financial management of the county government since it has been established that internal audit has strong positive effect on the financial management.

On the fourth objective, the study recommends the recruitment of employees with requisite qualifications and sufficient experience in the finance department of the county government of Marsabit. In addition County government should do continuous staff training to improve their skills and to update themselves with current industry developments. The recruitment of experienced personnel and continuous training of personnel in financial management would improve staff competency thereby improving financial management in the county government of Marsabit.

Finally from fifth objective the study recommends the pursuit of timely disbursement of funds from the national government through Council of governors. Legal measures through national assembly can be lobbied such as making cabinet secretary of finance to take individual responsibility in cases where the national treasury fails to disburse the funds to County governments as per disbursement schedules passed by the senate without a valid reason.

5.4 Areas for future research

The study sought to find out factors influencing financial management in Marsabit county government. A similar study can be carried out in other County Governments in Kenya for comparative analysis of results and validation of the findings from this study. Additional research can be conducted in the National government on factors influencing financial management and drawing comparisons. In future this research could be undertaken using mixed research methods in order find out objective findings regarding the determining factors of financial management as well as getting an in-depth understanding of the specific independent variables and effect they have on financial management.

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APPENDICES

Appendix I: Cover letter

To whom it may concern,

Dear Sir/Madam,

<u>Request for Data Collection</u>

I am a student of MBA at Kenya Methodist University. I am conducting a study on the topic "Factors influencing financial management in the county government of Marsabit". I have identified you as a resourceful person in this study.

Kindly fill up the attached questionnaire by ticking on the spaces provided and return to me. Any information obtained for this purpose will be kept strictly confidential and will only be used for academic purpose. Your cooperation will be highly appreciated in this regard.

Thanks for your cooperation.

Abudo Dambala

Appendix II: Questionnaire

Dear respondent,

This questionnaire is meant to collect data on the factors influencing financial management in the County Government of Marsabit.

The information provided will be handled confidentially and used **STRICTLY ONLY** for this research. Please tick (√) the box that matches your answer.

SECTION A: BACKGROUND INFORMATION

Please tick the most appropriate answer (√) within the space provided.

1. Gender: Male [ ] Female [ ]

2. How long have you been employed in the organization?

1 to 5 years [ ] 6 to 11 years [ ] 12 years and over [ ]

3. Highest level of education

Certificate [ ] Diploma [ ] Bachelor's Degree [ ] Bachelors' Degree and above [ ]

SECTION B: THE USE INFORMATION COMMUNICATION TECHNOLOGY (ICT) IN FINANCIAL MANAGEMENT IN THE COUNTY GOVERNMENT OF MARSABIT

2**.** In a scale of one to five rate the following statements on use of ICT on the financial management in the County government of Marsabit (1.Strongly Disagree 2. Disagree 3 Not Sure 4.Agree 5.Strongly Agree)

No	Statement	Scale				
		1	2	3	4	5
1	Marsabit county government has automated the budgeting process, revenue collection process, procurement and cash management					
2	ICT has simplified the keeping of financial records within Marsabit county government					
3	Marsabit county government uses ICT to provide up-to-date financial information to stakeholders on financial management					
4	Marsabit county government uses ICT to gather and process data for guiding financial decisions					

SECTION C: REGULATORY FRAMEWORK IN THE COUNTY GOVERNMENT OF MARSABIT

In a scale of one to five rate the following statements on the influence of regulations on the financial management in the County government of Marsabit: (1.Strongly Disagree 2. Disagree 3. Not Sure 4.Agree 5.Strongly Agree)

No.	Statement	Scale				
		1	2	3	4	5
1	Staffs in the county government of Marsabit are aware of and clearly understand all the laws and regulations for the management of public resources					
2	The laws and regulations are adhered to and those who break them are punished accordingly					
3	Existing regulatory framework clearly clarifies how the public funds are to be utilized for better service delivery.					
4	Existing laws and regulations helps to curb wastages and corruption in managing public finances					

SECTION D: INTERNAL AUDIT IN THE COUNTY GOVERNMENT OF MARSABIT

In a scale of one to five, rate the following statements on the internal audit function in the County government of Marsabit: (1.Strongly Disagree 2. Disagree 3 Not Sure 4.Agree 5.Strongly Agree)

No.	Statements	Scale				
		1	2	3	4	5
1	The county government of Marsabit has a functional audit committee					
2	Internal Auditors perform their duties with a greater degree of autonomy and independence from Management.					
3	Internal Audit conduct regular audit activities.					
4	Internal audit department is adequately staffed and well-resourced to carry out their functions					

SECTION E: COMPETENCY OF STAFFS WORKING IN THE FINANCE DEPARTMENT IN THE COUNTY GOVERNMENT OF MARSABIT

In a scale of one to five, rate the following statements on the competency of staffs working in Finance department in the County government of Marsabit: (1.Strongly Disagree 2. Disagree 3 Not Sure 4.Agree 5.Strongly Agree)

No.	Statements	Scale				
		1	2	3	4	5
1	Staffs working in the county government of Marsabit finance department possess requisite academic qualifications.					
2	The county government of Marsabit offers continuous training of its staff on financial management					
3	The county government of Marsabit has staff in the financial management department with sufficient experience					
4	Staff in the Marsabit county government's financial department are members of professional bodies like ICPAK, IIA and CPSPK					

SECTION F: TIMING IN FUND DISBURSEMENT FROM THE NATIONAL GOVERMENT TO COUNTY GOVERNMENT OF MARSABIT

In a scale of one to five, rate the following statements on the timing of fund disbursement from national government to the County government of Marsabit: (1.Strongly Disagree 2. Disagree 3 Not Sure 4.Agree 5.Strongly Agree)

No.	Statements	Scale				
		1	2	3	4	5
1	County government can be able to access large amount of funds any time they require.					
2	The funds are accessed frequently as need for financing arises.					
3	The county government meets requirements for accessing funds timely from the national government					
4	The national government complies with the disbursement schedule for county funds approved by the senate					

SECTION G: FINANCIAL MANAGEMENT IN THE COUNTY GOVERNMENT OF MARSABIT

In a scale of one to five, rate the following statements on the influence of timing in fund disbursement from national government on the financial management in the County government of Marsabit: (1.Strongly Disagree 2. Disagree 3 Not Sure 4.Agree 5.Strongly Agree)

No.	Statements	Scale				
		1	2	3	4	5
1	The county government of Marsabit undertakes credible and policy-based budgeting					
2	There is transparency and accountability in the management of public resources in the county government of Marsabit					
3	There are few or no incidences of fraud and corruption in the county government of Marsabit					
4	The county government of Marsabit undertakes accurate recording and reporting of its financial information					
5	There is predictability and control in the budget execution of the county government of Marsabit					
6	County government of Marsabit is collecting its revenue to its optimum capacity					

Thank You

Appendix III: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **417573**

Date of Issue: **02/July/2021**

RESEARCH LICENSE

This is to Certify that Mr.. Abudo Yohana Dambala of Kenya Methodist University, has been licensed to conduct research in Marsabit on the topic: Factors Influencing financial management in the marsabit county goverment for the period ending : 02/July/2022.

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