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ANALYSIS OF ABSORPTION RATES ON FINANCIAL GROWTH FOR COUNTY GOVERNMENTS IN KENYA: A CASE OF COAST REGION COUNTY GOVERNMENTS

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ABSTRACT

The purpose of this study was to determine the analysis of absorption rates on financial growth of Coast region county governments. The study used cross sectional research design. The target population for the study was employees of County Government of Mombasa. The study used secondary data from County Government financial statements for the year 2018/2019 which were available from the website of the Office of Controller of Budget (OCOB). Population and size per county data was retrieved from the Kenya National Bureau of Statistics (KNBS) and Commission for Revenue Allocation (CRA) websites respectively. Statistical package for social sciences (SPSS) was used for inferential and descriptive statistics data analysis. Data collected was organized and analyzed through descriptive statistics with the help of SPSS version 26 and the presentation was done using tables. Descriptive analysis showed that respondents agreed to the statement that budgeting procedures have caused delays in decision making in the County Government. The study results also revealed that respondents agreed to the statement that budgeting procedures adds value into compliance to set procedures and that without budgeting procedures, it would be difficult to come up with a financial growth plan and that the county government had attained proper management of revenue of all projects planned in each financial year within the stipulated time frame. The study concluded that budgeting has a linear relationship with financial growth of county governments. Further, the study concluded that budgeting procedures have caused delays in decision making in the County Government. The study concluded that the value is added by budgeting procedures in relation to set procedures compliance. Also devoid of budgeting procedures, financial growth plan would be difficult to be developed. It was concluded that county government had attained proper management of revenue of all projects planned. The study recommended that the county government should pass legislations to facilitate availability of central allocations of source of funds since it was revealed to affect financial growth plan of the county government. The public finance management function should be centralized to facilitate financial growth planning and grants/aids money should be administered as per the country constitution. The county staff should be informed on borrowings regulations in regard to the county budgeting.

Key Words: *Budgeting, Financial Resources, Funds Sourcing, Funds Control*

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INTRODUCTION

Devolution is a form of decentralization of public resources and cites some of the countries that practice devolution to be United States of America, India, Nigeria, Sweden, United Kingdom, South Africa and Kenya, in varying degrees (World Bank, 2017). Mitullah and Owiti (2007) documented that countries vary with kind of administrative systems with some practicing federal systems and others unitary systems of governance. The unitary system has however, not been successful. Los Angeles, a county in California USA which has 88 cities within its state is known to have succeeded through the system of federalism (Memba, Kaburi, Omato, Ochoti & Omari, 2012). Memba *et al*., (2012) continues to inform that this has led to various development in that county which includes complex rail roads in the country that assisted in opening up areas as nurture entrepreneurship development of the Hollywood film industry. Also, another benefit realized through federalism is the development of a reliable electricity to power industries, cities, businesses and homes (Memba *et al*., 2012).

The road to devolution in Kenya was long and tortuous. As a matter of priority, the immediate post-colonial government addressed the grievances aired during the independence struggle. Through "sessional paper No.10 of 1965 on African Socialism and its application to planning in Kenya, the government laid down development policies aimed at correcting regional imbalances and eradicating poverty, ignorance and disease. But this was not to be, as many years down the line, poverty has not been eradicated (Ochieng, 2017).

Kenya's decentralization was among the most rapid and ambitious devolution processes going on in the world, with new governance challenges and opportunities as the country builds a new set of County Governments from scratch. (The World Bank Group, 2016). Economic conditions faced by the Kenyan Government currently requires County Governments' ability to survive and thrive, this capability depends on how County Governments take appropriate decisions. Budget is an important component in County Government planning and decision making. Almost every organization, regardless of size, complexity or sector, relies heavily on budgets and budgetary systems to achieve strategic goals (Oketa, 2013). Effective management of the budget in county governments was measured by establishing the Percentage number of complete projects, Percentage number of ongoing projects, budget absorption rate for each department per annum and the achieved percentage of the annual work plan for each department. Questionnaires were developed and administered to county government employees heading departments of the county government of Mombasa, Narok, Nairobi and Makueni.

Financial performance is the degree of a firm's overall health over a specified duration. It underscores the role of a firm financial stability as to quality of services offered, reduced creditors turnover, enhanced throughput and financial risk management. Maphalla (2015) indicated that financial performance is measured using financial statement analysis. This analysis measures the revenue, operating income and profit after tax, financial position, cash flow, the level of financial leverage and the ability to meet financial commitments. In the case of county government, the allocation from the National Government, the efficiency in collection of local revenue and the expenditure allocation of expenditure into development expenditure and recurrent expenditure.

Statement of the Problem

Kathungu (2016) explains that the collections of revenues facilitate budget gaps and in addition, onto the financing of major budget lines as structured before execution. Without proper professionalism and capacity towards the collection of revenues adds into the series of inefficiencies that cause the utilization of budgets to be more complex and not possible for implementation or otherwise creates constraints in accessibility of the resources required for the implementations. Musya (2014) undertook a study to examine the part

played by internal control system in the collection of revenue by County Government of Mombasa. The research will be conducted using both qualitative and quantitative approaches. The study established that weak internal controls activities and lack of proper information and communication systems have encouraged collusion to fraud, loss of revenue and embezzlement of collected revenue. The study therefore concludes that internal controls do function although with hiccups and that there is a significant effect between internal controls and revenue collection in County Government of Mombasa. According to the financial county reports released by the office of the Controller of Budget, the financial year 2013/2014 had a target of kshs.54.2 billion but collected kshs.26.3 billion. The financial year 2014/2015 had a target of kshs.50.38 billion but collected kshs.33.85 billion. The financial year 2015/2016 targeted kshs.50.54 billion but collected kshs.35.02 billion. And finally, the financial year 2016/2017 had a target of kshs.57.66 billion but collected kshs.32.52 billion.

Poor budgeting and planning by County Governments was blamed by the Controller of Budget to have led to the larger proportion of budgetary allocations going to recurrent and non-essential expenditure at the expense of developmental expenditure (Kahari *et al.*, 2015). Poor and/or mismanagement of funds are very likely to derail various important projects in the County Governments which defeat the very purpose of their creation. According to the Fiscal Responsibility Principles stipulated by Section 107 of the Public Finance Management Act, County Governments shall ensure that recurrent expenditure shall not exceed the County Governments total revenue and thirty percent (30%) of the county budget should be allocated to development expenditure. According to the report released by the controller of budget, in the financial year 2013/2014 the Office of the Controller of Budget released Kshs.174.4 billion to the County Governments operational accounts. Aggregate expenditure amounted to Kshs.169.4 billion which consisted of Kshs.132.8 billion or 78.4% as recurrent expenditure and Kshs.36.6 billion or 21.6% as development expenditure. Expenditure performance shows an overall absorption rate was 64.9%. In the financial year 2014/15, County Governments accessed Kshs.262.30 billion from the County Revenue Fund (CRF). In this financial year, County Governments spent a total of Kshs.258 billion which was 98.4% of the total funds released for operations. This expenditure consisted of Kshs.167.56 billion for recurrent activities (64.9%) and Kshs.90.44 billion (35.1%) for development projects. The aggregate expenditure represented an absorption rate of 79.1% of the annual approved budget. During the financial year 2015/2016, County Governments accessed Kshs.303.47 billion from the County Revenue Funds (CRF). The County Governments spent a total of Kshs.295.30 billion which was 97.3% of the total funds released for operations. This expenditure consisted of Kshs.191.85 billion for recurrent activities (65%) and Kshs.103.45 billion (35%) for development activities. The aggregate expenditure represented 80.4% of the annual approved budgets. During the financial year 2016/2017 the Controller of Budget (COB) authorized withdrawal of Kshs.328.24 billion from the County Revenue Funds. The total expenditure during the period was Kshs.319.06 billion which comprised of Kshs.215.71 billion for recurrent expenditure and Kshs.103.34 billion for development expenditure. The total expenditure was 79.9% of the total annual County Government budgets.

The researcher conducted the study on the analysis of absorption rates on financial growth for County Governments in Kenya and the study concluded that in joint absorption rates including the budgeted county expenditure to the budgeted county revenues, actual county expenditures to actual county revenues and county resources to the county poverty index has a positive influence on the financial growth of the County Governments. Mutungi (2017) conducted a study on effects of financial growth on devolved governments in Kenya

and the study concluded that County Governments encounter challenges while implementing their absorption rates such as non-compliance with financial growth timelines. Also, budgeting links County Governments budget programs and budget activities to set goals and targets. This study focused on the individual County Government local revenue performance, expenditure performance and absorption rate performance in order to analyze their financial growth.

Objectives of the Study

The general objective of the study was to determine the analysis of absorption rates on financial growth of Coast region county governments, Kenya. The specific objectives were;

- To determine the effect of budgeting on financial growth of Coast region county governments, Kenya.
- To determine the effect of allocation of financial resources on financial growth of Coast region county governments, Kenya.
- To determine the effect of sourcing of funds on financial growth of Coast region county governments, Kenya.
- To determine the effect of control of funds on financial growth of Coast region county governments, Kenya.

This study was guided by the following null hypotheses;

- **Ho_1**: There is no significant effects of budgeting on financial growth of Coast region county governments, Kenya.
- **Ho_2**: There is no significant influence of allocation of financial resources on financial growth of Coast region county governments, Kenya.
- **Ho_3**; There is no significant effects of sourcing of funds on financial growth of Coast region county governments, Kenya.
- **Ho_4**; Appropriate control of funds has no significant effect on financial growth of Coast region county governments, Kenya.

LITERATURE REVIEW

Theoretical Review

Agency Theory

Principal-Agency theory arises where one party, the agent, enters contractual agreement to act in place of the principal. The agent is often tempted to engage personal interest and strategies without reference to the principal (Jensen & Meckling, 1976). It theorizes that given a choice the agent will act in a manner that advances his interest and this behavior ends up conflicting with the principal's interest (Eisenhardt, 1989). Agency problem is birthed from the divergence of strategies as advanced by the principal and his agent. Agency problem and how to mitigate this problem is therefore the premise upon which agency theory is based.

County Governments in Kenya receive allocation from the National Government and oversee the management of county public funds by collecting locally generated revenues and incurring both recurrent and development expenditure. Therefore, county government are responsible in the control and management of public finance as agents while the OCOB act as the principal on behalf of the people of the republic Kenya. The KENAO also audits the county government to ensure that the financial plans set out by both the OCOB and County governments are implemented (OCOB, 2016).

This theory will address the variable on sourcing of funds. The choice of this theory is important as it underscore the role the county government plays as an agent and the OCOB as the principal. The agency problem foreseen, how this is being mitigated and its impact on financial growth of county governments. Its weakness is that the agents are guided by human motivation only, which entails uncertainty in the actions that they take based on what will motivate a certain individual.

Stewardship Theory

Stewardship theory is a theory that brings a convergence between the agency theory

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assumptions that agents will act at the expense of the principal. Stewardship theory assumes that the managers behave in a trustworthy manner and focus on the betterment of the organization regardless of the manager's interest (Davis & Donaldson, 1997). Stewardship theory is anchored on the premise that there will be no opportunistic managers and believes that all actions that they will take in the best interest of the organization (Eisenhardt, 1989). The theory postulates that the agent and the principal relationship are based on choice and that the choice they will make is that which advances maximum organizations performance. Eddleston and Kellermanns (2007) found positive outcome on the firm's performance when both firms choose to work together.

This theory will address the variable on control of funds. The choice of this theory is important as it underscores the role that the county executives play as stewards of the county government funds; it assumes that all decisions that will be taken by the county will be to increase the firm's financial growth and provide value for money in all the county financial engagements (Monkam, 2014).

Allocation of Resource Theory

This theory will address the variable on allocation of financial resources. Developed by Peteraf and Barney (2003), the theory focuses on how nation's corporates, entrepreneurs or individuals distribute its financial resources in order to gain financial goals (Mutungi, 2017). An economic resource is considered to have a competitive advantage if it is inimitable, non-substitutable and rare. There, for any government institution to provide such a resource to its citizen, it needs to have proper budgetary control systems in place (Mutungi, 2017).

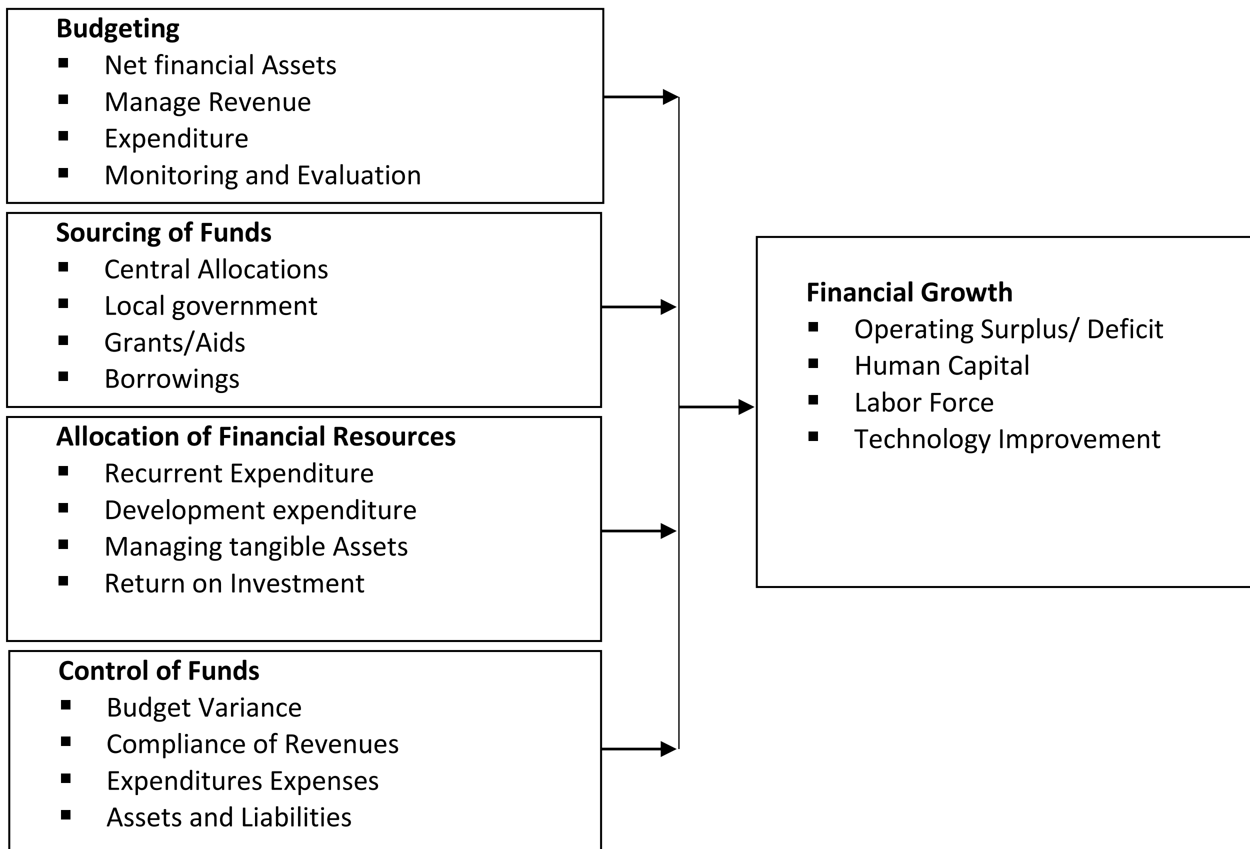
According to Peteraf (2003), the concept of economic concept of resource allocation uses the invisible hand theory in allocation of resources through competition, supply and demand by individuals. In an attempt to hit financial targets, corporations tend to distribute their financial resources through the process of budgeting and therefore, this theory of allocation of resource assists corporations in allocating their financial resources at their disposal through budgetary control systems (Mutungi, 2017).

Goal Setting Theory

This theory addresses the variable on budgeting. According to this theory, there seems to be two cognitive determinants of behavior and these are: values and goals (Locke & Latham, 1990). Wigfield, Guthrie, Tonks and Perencevich (2004) contribute that goal setting theory is based on the idea that individuals sometimes have a drive to reach a clearly defined end state. Most of the times, the said end state is a reward in its own self (Wigfield *et al*., 2004). Wigfield *et al.,* (2004) continues to explain that a goal's efficiency is affected by three features: proximity, difficulty and specificity. This theory incorporated nearly 400 studies about goals into a theory of goal setting and task performance (Lunenburg, 2011).

According to Locke and Latham (1990), people experience value judgements through emotions. Therefore, individuals' values are the leading factors that makes them create a desire to do things consistent with them. Lunenburg (2011) explain that behavior is affected by goals. Hence, goals lead to direct attention and carrying out of actions. The theory further explains that the more challenging the goals are, the more mobilization of energy, higher effort and rise in persistent effort (Lunenburg, 2011). For people to be motivated and in turn develop strategies, they need to have goals in place which will drive them to enhance their performance at a required goal level (Lunenburg, 2011).

Conceptual framework



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Source: (Researcher, 2020)

Empirical Review

Boex and Muga (2004) while studying on the indicators of financial condition for local authorities in Tanzania found that there exists a positive relationship between financial management practices in local authorities and its corresponding financial growth. They used a population of 122 local government authority and descriptive statistics as their research design. They used the following ration the expenditure outrun ratio, the annual audit opinion of the audit office and the percentage of queries on expenditure questioned by the National Audit office.

Ngaruro (2013) in his study of the relationship between the financial planning and the financial growth of Public service organisation in Kenya. The study concluded that there was a significant positive relationship between financial planning and financial growth. He found that financial planning facilitates revenue growth. He used sampling and therefore studied 47 managers drawn from commercially oriented parastatal organisation, data collection will through the use of questionnaire which will be given room to bias results.

Coker and Adams (2012) in their study of the challenges of expanding internally generated revenues in Nigeria attributed poor financial growth to the dependency on Federal government allocation which emanated from deliberate attempt by local citizens to evade taxation thus lowering local government revenues. The study also found that lack of qualified personnel, lack of autonomy in the management of financial resources, political interference, and corruption, lack of transparency and accountability and poor

financial reporting. Their study supported the view that financial growth may be affected by other factors which are difficult to measure.

Maphalla (2015) did a study to ascertain the financial growth of South Africa local municipalities and deduced an existing relationship between the size of the municipality and the financial growth. There was also a substantial relationship between the reliance of revenue with financial growth of the organisation. He used all the 278 municipality as sample and examined the financial statements of the year 2018/2019.

Dollery, Byrnes & Crase (2008) did a study of local government failures in Australia, there area of focus was on five main sources of local government failure. While financial management and governance, council revenue and council expenditure can be measured, other external factors like democratic factors cannot be measured. They used net liabilities on municipality, the operating surplus or deficiency and the levels of debt borrowing in the study.

Ritonga (2014) did a study in modelling the financial condition of local government in Indonesia used audited financial statements of local government between 2007-2010. The study used both primary data and secondary data. The secondary data was audited financial statements. The population was 530 local governments. The sample used was 162 respondents for questionaiire with a disregard for incomplete questionnaires and 420 local government with clean financial statements.

Dennis (2004) did a study about the relationship between state government's financial capacity in the USA and the states government financial condition. 1600 American cities and simple average of four indicators will be used. Financial management practices based on a survey of a sample of 500 Chief Finance Officers. The study concluded that there was no significant relationship between local government financial growth and financial management practices.

Coggburn and Schneider (2001) in their study to analyze the relationship between the quality of management and the performance of budget for local government in the United States. They established a significant relationship between financial growth and financial management. Singer (2004) in their study found a minimal significant relationship between local government condition and financial management practices in the United States.

METHODOLOGY

This study used cross sectional research design. The target population consisted of counties in Kenya, study population was from Mombasa County Headquarters and unit of analysis was finance department. The unit of observation was employees in finance department composed of senior managers, middle-level managers and support staff. A census method was adopted where all the 103 staff in finance department was issued with questionnaires. The main data collection instruments used to collect data included questionnaires containing open-ended and closed-ended questions with the quantitative section of the instrument utilizing an ordinal scale format. The researcher collected primary data through field research. The statistical package for social sciences version (SPSS) was used to analyze the data. The multiple regression equation was as follows;

$$Y=\alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Y = Financial Growth

α= Constant

β1, β2, β3, β4, β5 &**β6** = Partial regression coefficient

X1 = Budgeting

X2= Sourcing of Funds

X3= Allocation of Financial Resources

X4 = C0ntrol of Funds

ε = error term

FINDINGS AND INTERPRETATION

Descriptive Results

Descriptive analysis was conducted on the study variables to check the mean and standard deviation. The results are presented in the following tables.

Budgeting

The respondents were asked to rate their agreement or disagreement on the various aspects of budgeting. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 1.

Table 1: Budgeting

	N	Mean	Std. Deviation
Budgeting procedures have caused delays in decision making in the County Government	95	4.28	.697
Budgeting procedures adds value into compliance to set procedures	95	4.70	.219
Without budgeting procedures, it will be difficult to come up with a financial growth plan	95	3.94	.340
The county government has attains proper management of revenue of all projects planned in each financial year within the stipulated time frame	95	4.19	.498

From Table 1 it can be observed that respondents agreed to the statement that budgeting procedures have caused delays in decision making in the County Government as indicated by a mean of 4.28 and standard deviation of 0.697. The respondents agreed to the statement that budgeting procedures adds value into compliance to set procedures as shown by a mean of 4.70 and a standard deviation of 0.219. The respondents agreed to the statement that without budgeting procedures, it will be difficult to come up with a financial growth plan and that the county government has attains proper management of revenue of all projects planned in each financial year within the stipulated time frame as indicated by a mean of 3.94 and a mean of 4.19 respectively.

Sourcing of Funds

The respondents were asked to rate their agreement or disagreement on the various aspects of sourcing of funds. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 2.

Table 2: Sourcing of Funds

	N	Mean	Std. Deviation
Lack of central allocations of source of funds affects financial growth plan	95	4.77	.408
The diversity of the work involved in public finance management affects financial growth planning	95	4.50	.750
The county government manages the grants/aids money according to the constitution and the supporting regulations	95	4.58	.617
The finance staffs understand the borrowings Regulations relating to county government budgeting	95	4.89	.533

From the findings, respondents agreed to the statement that lack of central allocations of source of funds affects financial growth plan as indicated by a mean of 4.77 and standard deviation of 0.408. The respondents agreed to the statement that the diversity of the work involved in public finance management affects financial growth planning as shown by a mean of 4.50 and a standard deviation of 0.750. Further, the respondents agreed to the statement that the county government manages the grants/aids money according to the constitution and the supporting regulations (mean=4.58) and that the finance staffs understand the borrowings regulations relating to county government

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budgeting as indicated by a mean of 4.89 with a standard deviation of 0.533.

Allocation of Financial Resources

The respondents were asked to rate their agreement or disagreement on the various aspects of financial resources allocation. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 3.

Table 3: Financial Resources Allocation

	N	Mean	Std. Deviation
Allocation of Financial Resources assist in decision and policy making on Return on Investment	95	4.01	1.051
Financial Resources as a tool help to manage work flow and utilize tangible assets management functions controlling the numerous process flows that exist in the organization	95	3.97	.945
Unified data gives you the information integrity required to development expenditure compliance and financial management practices	95	4.19	.511
Allocation of Financial Resources can help the County to integrate all the departments	95	4.58	1.067

Table 3 showed that respondents agreed to the statement that allocation of Financial Resources assist in decision and policy making on Return on Investment as indicated by a mean of 4.01 with a standard deviation of 1.051. Further respondents agreed to the statement that financial Resources as a tool help to manage work flow and utilize tangible assets management functions controlling the numerous process flows that exist in the organization as indicated by a mean of 3.97 with a standard deviation of 0.945. Respondents agreed to the statement that unified data gives you the information integrity required to development expenditure compliance and financial management practices as indicated by a mean of 4.19 and standard deviation of 0.511. Finally, respondents agreed to the statement that allocation of financial resources can help the County to integrate all the departments as indicated by a mean of 4.58 and standard deviation of 1.067.

Control of Funds

The respondents were asked to rate their agreement or disagreement on the various aspects of control of funds. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 4.

Table 4: Control of Funds

	N	Mean	Std. Deviation
Control of Funds management supports financial planning activities and control expenditures expenses in the County Governments	95	3.84	1.004
The Control of funds management ensures that only competent staff is involved in final financial growth planning so that they may meet the compliance of revenues of the county governments	95	4.62	.670
The Control of Funds management regards finance function important to the county government	95	4.02	.895
The management ensures that there are policies and procedures in place for budget variance in the county governments	95	4.34	.929

Results in Table 4 showed that respondents agreed to the statement that control of funds management supports financial planning activities and control expenditures expenses in the County Governments

as indicated by a mean of 3.84 and standard deviation of 1.004.

Findings further showed that respondents agreed to the statement that The control of funds management ensures that only competent staff is involved in final financial growth planning so that they may meet the compliance of revenues of the county governments as indicated by a mean of 4.62 and standard deviation of 0.670. The findings also showed that respondents agreed to the statement that the Control of Funds management regards finance function important to the county government (mean = 4.02). The respondents agreed to the statement that the management ensures that there are policies and procedures in place for budget variance in the county governments (mean = 4.34).

Correlation Analysis

Pearson correlation was used to test the association between independent variable theoretical constructs and target variable. Pearson's correlations test was conducted at 95% confidence interval and 5% 2-tailed significance level. The Table 5 indicates the correlation matrix between the study variables.

Table 5: Correlation Matrix

		Budgeting	Sourcing funds	Financial resources allocation	Funds control	Financial growth
Budgeting	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	95				
Sourcing of funds	Pearson Correlation	.409**	1			
	Sig. (2-tailed)	.000				
	N	95	95			
Financial resources allocation	Pearson Correlation	.297**	.550**	1		
	Sig. (2-tailed)	.003	.000			
	N	95	95	95		
Control of funds	Pearson Correlation	.195**	.330**	.515**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	95	95	95	95	
Financial growth	Pearson Correlation	.271**	.506**	.433**	.387	1
	Sig. (2-tailed)	.000	.002	.000	.000	
	N	95	95	95	95	95

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

The Pearson correlation results revealed that there was a moderate positive correlation between budgeting and financial growth of county governments and the correlation was significant (r=0.506, p=0.000). The results further indicate that sourcing of funds and financial growth had a

positive correlation which was significant (r=0.271, p=0.002). Bivariate correlation between financial resources allocation and financial growth had a positive significant correlation coefficient of 0.433. It was further established that control of funds and financial growth had a moderate positive correlation which was significant at (r=0.387, p=0.000).

Multiple Regression Analysis

Financial performance was regressed inventory conversion period, accounts receivable cycle, cash conversion cycle, and accounts payable cycle. The results of regression analysis are presented as follows.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.921[a]	.848	.802	.38710	1.290

a. Predictors: (Constant), Budgeting, Sourcing of funds, Financial resources allocation, Control of funds

b. Dependent Variable: Financial growth

From Table 6, the correlation coefficient (R) for absorption rates and financial growth of county governments is 0.921 indicating that there is a positive correlation. The coefficient of determination (R^2) is 0.848 indicates that 84.8% of the variation in financial growth is explained by absorption rate constructs.

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.631	4	3.907	126.032	.001[b]
	Residual	2.785	90	.031		
	Total	18.416	94			

a. Dependent Variable: Financial growth

b. Predictors: (Constant), Budgeting, Sourcing of funds, Financial resources allocation, Control of funds

According to analysis of variance results in Table 7, the predicted relationship under the model is statistically significant at p–value of 0.001 is less than the significance level of 0.05. This shows that the model between absorption rates and financial growth is statistically significant. The model coefficient is shown in Table 8.

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.210	.127		1.653	.000
	Budgeting	.287	.132	.301	2.174	.042
	Sourcing of funds	.549	.207	.684	2.652	.000
	Financial resources allocation	.321	.136	.366	2.360	.000
	Control of funds	.211	.092	.173	2.293	.017

a. Dependent Variable: Financial growth

From Table 8, the model would appear as follows:

$$\mathbf{Y = 0.210 + 0.287X_1 + 0.549X_2 + 0.321X_3 + 0.211X_4}$$

The regression model indicates that financial growth would increase by 0.210, given that all the other factors are held constant at zero. Further in the regression model it shows that a unit increase in budgeting would lead to a decrease in financial growth by 0.287. A unit increase in sourcing of

funds would lead to a positive increase in financial growth by 0.549. A unit increase in financial resources allocation would lead to a positive increase in financial growth by 0.321 and a unit increase in control of funds would lead to an increase in financial growth by 0.211. The predictors had significance level of 0.05 and below hence significant.

Discussion of Key Findings and Hypotheses Testing

Regression analysis formed a basis for realizing the research objectives adopted in this study. The first research objective was to investigate the effect of budgeting on financial growth. At 5 percent level of significance and 95 percent confidence level, regression analysis conducted proved that there is a positive significant effect of budgeting on financial growth as indicated by the beta values $\beta_1 = 0.287$, $p<0.05$. The study concludes that an increase in budgeting by one unit on average would lead to a corresponding increase in financial growth by 0.287 units. Since the p-value is less than 0.05, the null hypothesis is rejected.

The second research objective sought to establish the effect of funds sourcing on financial growth. Regression analysis result showed a positive significant effect as indicated by the beta values $\beta_2 = 0.549$, $p<0.05$. The study concludes that an increase in funds sourcing by one unit, on average would lead to a corresponding increase on financial growth by 0.549 units. Since the p-value is less than 0.05, the null hypothesis that funds sourcing has no significant effect on financial growth is rejected.

The third research objective investigated the effect of financial resources allocation on financial growth. Regression analysis conducted showed that there was a positive and significant effect between the variables as indicated by the unstandardized beta values $\beta_3 = 0.321$, $p<0.05$. Therefore, study concludes that, an increase in financial resources allocation by one unit, on average would lead to a corresponding increase in financial growth by 0.321 units. Since the p-value is less than 0.05, the null hypothesis that financial resources allocation has no significant effect on financial growth is rejected.

The fourth research objective sought to establish the effect of control of funds on financial growth. Regression analysis result showed a positively significant effect of control of funds on financial growth as indicated by the beta values $\beta_4 = 0.211$, $p<0.05$. The study concludes that an increase in control of funds by one unit, on average would lead to a corresponding increase on financial growth by 0.211 units. Since the p-value is less than 0.05, the null hypothesis that control of funds has no significant effect on financial growth of county governments is rejected.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that budgeting has a linear relationship with financial growth of county governments. Further, the study concludes that budgeting procedures have caused delays in decision making in the County Government. The study concludes that the value is added by budgeting procedures in relation to set procedures compliance. Also devoid of budgeting procedures, financial growth plan will be difficult to be developed. It is concluded that county government has attained proper management of revenue of all projects planned.

The study concluded that sourcing of funds has positive effect on financial growth of county governments. It is concluded lack of central allocations of source of funds affects financial growth plan. It is concluded that the diversity of the work involved in public finance management affects financial growth planning and the county government manages the grants/aids money according to the constitution and the supporting regulations and that the finance staffs understand the borrowings regulations relating to county government budgeting.

The study concluded that allocation of financial resources has a positive and significant effect on financial growth of county governments. It is concluded that allocation of financial resources

assists in decision and policy making on return on investment and financial resources as a tool help to manage work flow and utilize tangible assets management functions controlling the numerous process flows that exist in the organization. The study concludes that unified data gives you the information integrity required to development expenditure compliance and financial management practices. The county government departments integration can be enhanced through financial resources allocation.

The study concluded that control of funds has a positive effect on financial growth. Also control of funds management supports financial planning activities and control expenditures expenses in the County Governments. It is concluded that control of funds management assures that only competent staff is involved in final financial growth planning so that they may meet the compliance of revenues of the county governments. Study also concludes that the control of funds management regards finance function important to the county government. The county leadership in the county governments assures policies and procedures are in place for budget variance.

The study recommended that the county leadership should streamline budgeting procedures in the county government since it was established that they are the primary contribution of delays in decision making in the County Government. The management of the county government should pursue budgeting procedures which add value vis-à-vis set procedures compliance. The budgeting procedures should be taken seriously by the management as its lack makes it difficult for financial growth plan development.

The study recommended that the county government should pass legislations to facilitate availability of central allocations of source of funds since it was revealed to affect financial growth plan of the county government. The public finance management function should be centralized to facilitate financial growth planning and grants/aids money should be administered as per the country constitution. The county staff should be informed on borrowings regulations in regard to the county budgeting.

The study recommended that the county government should instill efficiency in financial resources allocation so as to assist in decision. Policy making on return on investment and financial resources as a tool help to manage work flow and utilize tangible assets management functions controlling the numerous process flows that exist in the organization. The study recommends that data should be unified so as to give information integrity required to development expenditure compliance. Financial resource allocation should be geared towards achieving county government departments integration.

The study recommended that the county government leadership should develop measures to control county funds so as to support financial planning activities and control expenditures expenses in the governments. It is recommended that control of funds management should ensure that only competent staff is involved in final financial growth planning and the control of funds management should improvise county's finance function since it is important to the county government. The policies and procedures in the county government should be in place for variance of county budget.

Suggestions for Further Research

The study was limited to investigating the effect of absorption rates on financial growth of county governments in Kenya. However, absorption rates factors considered were limited to budgeting, source of funds, financial resources allocation and control of funds which accounted for 84.8% change in financial growth in county governments. The future researchers should consider other absorption rates constructs that have the potential to affect financial growth of not only county governments but extent the study to cover other sectors in the private sphere.

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