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EFFECT OF FINANCIAL PLANNING AND BUDGETING PRACTICES ON PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA

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Abstract: *Financial Planning is a process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of a concern. budgets are important tools of financial management employed to direct and control the affairs of large and multifarious institutions. They are used not only by governments, where budgeting had its origins, but in other public bodies.*

Objective: *The general objective of this study was to determine the effect of public financial management practices on performance of county governments in Kenya with an aim of investigate how financial planning and budgeting practices influence the performance of county governments in Kenya.*

Significance: *The study aimed at contributing new dimensions in policy formulation in the management of public resources and service delivery. The findings of the study will be of importance to Kenyas county executive and assembly including policy makers.*

Findings: *The study found out that while various counties utilize County Integrated Development Plan as its primary planning document for all the projects and programmes, timely disbursement and resource allocation have always remained the principal means of implementing them.*

Keywords: *budget practices, financial planning, public financial management practices*

INTRODUCTION

Public financial management practices and performance of county governments in Kenya

With the enactment of Kenya's new constitution (2010), issues relating to fiscal decentralization and public financial management are now at the center of policy reforms with the Public Financial Management (PFM) Act 2012 which was signed into law on July 23rd 2012 providing a clear legislative framework. The PFM Act 2012 sets out to promote transparency and accountability in the management of public finances at the national and county government levels. The Act details how resources are shared in the country between the national government and the county governments and creates new institutions with a public financial mandate. Such institutions include the Commission on Revenue Allocation (CRA) and the Office of the Controller of Budget (OCS), amongst others, with distinct functions aimed at enhancing efficiency within the sector (SID, 2012).

Just like most countries in Africa and other parts of the world, the need for reforms in the public financial management sector in Kenya arose out of previous challenges faced and gaps identified that lead to embezzlement of public funds, inequities arising in resource redistribution nationally and centralized systems of governance with inadequate checks and balances. The PFM reforms in Kenya were aimed at making public financial management more efficient, effective, participatory and transparent resulting in improved accountability and better service delivery. The PFM Act 2012 aims at achieving better public finance management as envisioned by public finance in Chapter 12 of the Constitution of Kenya. Enactment of this Act repealed the Public Financial Management Act No. 5 of 2004 (SID, 2012). ROK (2016) notes that there is momentum to reform the PFM in Kenya to make it more efficient, effective, participatory and transparent, thus resulting in improved accountability and better service delivery.

Public finance management is anchored in Part IV of the PFM Act, 2012 that gives county government the legal responsibility to manage the finances allocated from the national government. In addition, it establishes county treasuries, a move that primarily devolves public finance management. It stipulates that each county government adheres to the principles of public finance as set out in Chapter 12 of the Constitution of Kenya 2010. The County Executive Committee is required to observe principles of collective responsibility in exercising their functions under the Act. Furthermore, decisions are to take cognisance of Article 216 (2) of the Constitution, which mandates the Commission on Revenue Allocation to make recommendations on the financing of, and financial management by the county government. The responsibilities and powers of the County Treasury are elaborated in Section 104-108 of the Act, which discusses the general responsibilities and powers of a County Treasury which are largely to manage public finances in accordance with the principles of fiscal responsibility set out in Sub-section 2 of the Act.

The responsibilities of the County Treasury with regard to public funds are outlined in Section 109-116. Each county government is required to establish a County Revenue Fund. The County Treasury for each county is to ensure that all the money raised or received by or on behalf of the county government is paid into the County Revenue Fund, except money that is outlined in Subsection 2(a-c). The Act allows the County Executive Committee to establish county government emergency funds, which will consist of money from time to time appropriated by the County Assembly through an appropriation law. The purpose of an Emergency Fund is to enable payments to be made in respect of a county when an urgent and unforeseen need for expenditure for which there is no specific legislative authority arises. Authority is conferred to the County Executive Committee to make payments from emergency funds. On accountability, the County Treasury is required to submit a financial report to the Auditor-General in regard to utilization of the Emergency Fund. Subsection 2(a) further outlines what should be included in the financial statement. In addition to the emergency funds, the County Executive Committee (CEC) is permitted to establish any other public fund, with approval of the CEC and the County Assembly, and appoint a designated person to administer such public fund.

The key responsibilities of government regarding county governments budget process are elaborated in Section 117-118. The County Treasury is to prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval. The County Treasurer will then submit the strategy paper to the County Assembly for approval. Thus, the principle of responsible financial management with clear fiscal reporting is upheld. The County Treasury is also required to prepare a County Budget Review and Outlook Paper, to be submitted to the County Executive Committee. Subsection 2(a) gives specifications on how the budget review and outlook papers are to be prepared.

Other responsibilities of the county treasuries include: making banking arrangement for county government and its entities, management of cash at county government level, procurement for county government entities, maintaining of records of county government loans, submitting county government Debt Management Strategy (DMS) to the County Assembly, and to provide the County Assembly, with additional reports when required

(Section 119-124). The county government budget process is outlined in Section 125-134. These sections elaborate on the stages in county government budget process, preparation of development plans, and cash flow projections. The County Executive Committee member for finance is to manage the budget process at county government level, and submit budget estimates to the County Executive Committee for approval.

Sections 137-146 establish a forum for consultations by county governments, thus promoting the principle of openness, for example through establishment of a county budget and economic forum for county budget consultation process. The forum is to provide a means for consultation by the county government on: (a) preparation of county plans, County Fiscal Strategy Paper, Budget Review and County Budget Outlook Paper, and (b) matters relating to budgeting, the economy and financial management at the county level, conditions in which county governments or entities may receive grants and donations, regulations on grant administration, authority for borrowing by county governments, obligations and restrictions regarding county government borrowing, borrowing by county government entities, persons authorized to execute loan documents at county government level, securities on borrowed loans, lending of money by county government, and issues of joint infrastructure investment. Responsibilities of government entities and their accounting officers are elaborated in section 147-154. Subject to the principle of accountability outlined in the constitution, the accounting officer of a County Assembly who is the Clerk to the County Assembly and the Public Service Board is to monitor, evaluate and oversee the management of their public finances, including: (a) promoting and enforcing transparency, effective management and accountability with regard to the use of their finances, (b) ensuring that accounting standards are applied, (c) implementing financial policies in relation to their finances, (d) ensuring proper management and control of, and accounting for, their finances in order to promote the efficient and effective use of budgetary resources, (e) preparing annual estimates of expenditures, (f) acting as custodian of the entity's assets, except as may be provided by other legislation or the constitution, (g) monitoring the management of finances and performance, (h) reporting regularly to the county assembly on the implementation of the budget, and (i) taking such other action, not inconsistent with the constitution, as will further the implementation of this Act. Responsibilities of county government entities and their accounting officers are discussed in section 148-159.

Financial Planning and Budgeting Practices

Financial Planning is a process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of a concern. The long term financial plans (strategic) serve as script in the preparation of the short term financial plans (operational). The short term financial plans are visualized in one period – from one to two years. The long term plans go from two to ten years. This helps in reducing the uncertainties or risks which can be a hindrance to growth of the company. This helps in ensuring stability and profitability in a concern. In general usage, a financial plan can be a budget, a plan for spending and saving future income for both private and public sector.

Shah (2007) states that budgets are important tools of financial management employed to direct and control the affairs of large and multifarious institutions. They are used not only by governments, where budgeting had its origins, but in other public bodies, in industry and commerce and in private families. In this study, a budget acts as a tool for planning and controlling the use of scarce financial resources in the accomplishment of county governments' goals as outlined in County Integrated Development Plans. The county budget is an invaluable aid in planning and formulating policy and in keeping check on its execution. It stipulates which activities and programs should be actively pursued, emphasized or ignored in the period under scope, considering the limited financial resources available to the organization. Any good budget process needs to attain three important objectives, namely, maintenance of fiscal discipline, attaining allocation efficiency and operational or technical efficiency (Obwaya, 2011).

Obwaya (2011) observed that numerous past researches into the relationship between participatory budgeting and organisation performance mechanism has concentrated generally on developed countries. Therefore, the study sought to fill the existing research gap by carrying out a survey study on the relationship between participatory budgeting and performance of local authorities in Kenya.

Statement of the problem

All over the globe, effective Public Financial Management (PFM) systems are required to maximise the efficient use of resources, create the highest level of transparency and accountability in government finances and to ensure long-term economic success (Pretorius & Pretorius, 2008). The enactment of the Constitution of Kenya 2010 placed fiscal decentralization and PFM at the centre of public financial management policy reforms that were anchored in the Public Financial Management Act No. 18 of 2012.

While various past studies have suggested that in order to optimize performance and effectively deliver services, county governments should consider having robust public financial management practices that include good financial planning and budgeting, a few of them have adopted these practices but the rest have not (Lerno, 2016; Lotiaka, Namusonge, & Wandera, 2016; Mbae, 2014; Mutua & Wamalwa, 2017; Njahi, 2017; Obwaya, 2011; Ochoi & Memba, 2015).

Njahi (2017) found out that while budgeting had a significant influence on the performance of county governments, source of revenue had insignificant influence. His results were contrary to Mutua and Wamalwa (2017) who examined challenges and opportunities of enhancing local revenue mobilization in Nairobi City County and concluded that local revenue is not only an important revenue source for any county in expanding its budgetary and service delivery needs but also a good fall back when transfers from national government delays.

It is therefore evident from the various past studies that there are inconsistencies in results and gaps in the literature that have been occasioned by various factors hence the need to for this study.

Research Question and Hypothesis

Based on the study objective, this study will be guided by the following question;

1. Does financial planning and budgeting practices influence the performance of county governments in Kenya?

And the following null hypothesis;

H_{01}: Financial planning and budgeting practices have no significant influence performance of county governments in Kenya.

RESEARCH METHODOLOGY

The study used a descriptive research design and a purposive sampling technique. The study population consisted of 47 counties in Kenya as enlisted in Constitution of Kenya, 2010. The respondents included all accounting officers and directors from county treasuries in the top ten counties selected on the locally collected revenue list as shown in the Office of the Controller of Budget's Annual Budget Implementation Report for financial year 2016/2017. Primary data was collected using a questionnaire whereas secondary data was obtained from Office of Controller of Budget, Office of the Auditor General and County Treasury Offices. The study used both qualitative and quantitative data. Data was presented using tables, graphs and charts with corresponding explanations. Content analysis was used to analyse the qualitative data where the texts were used to categorize them into themes that corresponded to the study's objectives and interpreted accordingly.

RESEARCH FINDINGS AND DISCUSSION

Performance of county governments in Kenya

In a bid establish the performance of county governments in Kenya, the study measured their performances in terms of both financial and non-financial parameters. With regard to financial performance; local collected revenues targets were used. In the research findings from Table 1 70.4 % (M=3.96, SD=0.1.048) of the respondents agreed that the county government has regularly been attaining the annual locally revenue targets for the past four years. 71.5 % (M=3.90, SD=0.801) of the respondents indicated that the county government has sufficient staff to administer and collect own revenue sources while on the other hand 75.8% (M=0.407, SD=0.786) of the respondents observed that the own revenues sources of county government is cost effective and adequately covered by a legal framework. In addition, 51.5 % (M=3.38, SD=1.064) of the respondents posited that the county government have a debt collection unit that follow taxpayers who have defaulted or delayed in paying tax/fees. Furthermore, 41.9 % (M=3.34, SD=0.863) of the respondents agreed that ooutsourcing has led to better revenue administration performance compared to collection by the county government. In the study, 75% (M=3.93, SD=0.816) of the respondents opined that automation of revenue collection operations has increased collections and reduced leakages.

With regard to non-financial performance, service delivery was used; the study found out that 85.5 % (M=4.28, SD=0.784) of the respondents agreed that the county government had enhanced food security through improved veterinary services, increased crop and livestock production. 69.6 % (M=3.87, SD=0.839) of the respondents observed that the county provides affordable and accessible healthcare services. While on the other hand, 61.9% (M=3.70, SD=0.962) of the respondents opined that the county had improved the access to education through bursaries and other support programmes at prep-primary and vocational levels. Moreover, 91.6 % (M=4.34, SD=0.675) of the respondents equipped that the county had improved access to quality, affordable water and sewerage services for all citizens whereas 90 % (M=4.13, SD=0.721) of the respondents indicated that the county has efficient infrastructure that ensures effective and efficient transport.

Table 1: Responses for performance of county governments in Kenya

Statement	SD %	D %	N %	A %	SA %	Mean	Std. Deviation
a) The county government has regularly been attaining the annual locally revenue targets for the past four years.	1.4	9.9	18.3	32.4	38.0	3.96	1.048
b) The county government has sufficient staff to administer and collect own revenue sources.		4.3	24.3	48.6	22.9	3.90	.801
c) The own revenues sources of county government is cost effective		1.4	22.9	42.9	32.9	4.07	.786

	and adequately covered by a legal framework.							
d)	The county governments have a debt collection unit that follow taxpayers who have defaulted or delayed in paying tax/fees.	3.0	21.2	24.2	37.9	13.6	3.38	1.064
e)	Outsourcing has led to better revenue administration performance compared to collection by the county		16.4	41.8	32.8	9.0	3.34	.863
f)	Automation of revenue collection operations has increased collections and reduced leakages.		5.9	19.1	51.5	23.5	3.93	.816
g)	The county has enhanced food security through improved veterinary services, increased crop and livestock production.		2.9	11.6	40.6	44.9	4.28	.784
h)	The county provides affordable and accessible healthcare services.		5.8	24.6	46.4	23.2	3.87	.839
i)	The county has improved access to education through bursaries and other support programmes at prep-primary and vocational levels.	1.4	9.9	26.8	40.8	21.1	3.70	.962
j)	The county has improved access to quality, affordable water and sewerage services for all citizens		1.4	7.0	47.9	43.7	4.34	.675
k)	The county has efficient infrastructure that allows ensures effective and efficient transport.	1.4	1.4	7.1	62.9	27.1	4.13	.721

Findings and discussions on performance of county governments in Kenya

The study sought to examine the linear relationship between public financial management practices (PFMP) and performance of county governments in Kenya. The findings are consistent with results of Mutua and Wamalwa (2017) that observed that local revenue is an important revenue source for the county government because its helps in expanding budgetary and service delivery needs. In addition, automation of revenue collection operations using LAIFOMS, IFMIS and other systems has increased collections and reduced leakages hence increased the funds available for critical projects (Mutua & Wamalwa, 2017).

Financial Planning and Budgeting Practices (FPBP) on performance of county governments in Kenya

a) Descriptive analysis of Financial Planning and Budgeting Practices (FPBP) on performance of county governments in Kenya

Table 2 shows that 93.1 % (M=4.43, SD=0.668) of the respondents agreed that the county government utilizes County Integrated Development Plan as its primary planning document. Ninety-two point nine (92.9) percent (M=4.34, SD=0.657) of the respondents posited that the process of preparing the planning documents i.e. CIDP, ADP, CFSP, Budget etc. is consultative. Ninety-two point six (92.6) percent (M=4.32, SD=0.609) opined that the County budget is linked to the ADP and CIDP.

Eighty-eight point four percent (88.4%) (M=4.16, SD= 0.656) of the respondents noted that departmental allocations are based on priorities in ADP and CIDP while on the other hand 88.7 % (M=4.37, SD=0.849) of respondents suggested that the county governments budget is implemented as approved by the Assembly. In the study, 63.2 % (M=3.65, SD=1.062) of the respondents concluded that their departments are allocated what they budgeted for while on the other hand 45.8% (M=3.33, SD=1.126) of the respondents observed that there is no timely disbursement of resources to their departments. In the research findings, 98.5% (M=4.66, SD=0.507) of the respondents opined that financial planning can be used as a tool to prevent financial challenges 98.5% (M=4.66, SD=0.507).

Ninety percent (90.0 %) (M=4.26, SD=0.630) of the respondents argued that the county government's plan includes an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance. Seventy-eight point two percent (78.2 %) (M=3.97, SD=0.727) indicated that the financial plan(s) has/have monitoring mechanisms that indicates financial health. In addition, 63.8% (M=3.81, SD=0.862) of the respondents mentioned that the county government conducts monthly and yearly budget variance analysis.

Table 2: Response frequencies for Financial Planning and Budgeting Practices

	Statement	**SD %**	**D %**	**N %**	**A %**	**SA %**	**Mean**	**Std. Deviation**
a)	The County Government utilizes County Integrated Development Plan as its primary planning document		1.4	5.6	41.7	51.4	4.43	.668
b)	The process of preparing the planning documents (CIDP, ADP, CFSP, Budget) is consultative		1.4	5.7	50.0	42.9	4.34	.657
c)	The County budget is linked to the ADP and CIDP			7.4	52.9	39.7	4.32	.609
d)	Departmental allocations are based on priorities in ADP and CIDP		1.4	10.1	59.4	29.0	4.16	.656
e)	The County budget is implemented as approved by the Assembly	1.4	2.8	7.0	35.2	53.5	4.37	.849
f)	My department is allocated what is budgeted for	4.4	10.3	22.1	42.6	20.6	3.65	1.062
g)	There is timely disbursement of resources to my department	4.2	23.6	22.2	34.7	15.3	3.33	1.126
h)	Financial planning can be used as a tool to prevent financial challenges			1.5	30.9	67.6	4.66	.507
i)	The county's plan includes an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance,			10.0	54.3	35.7	4.26	.630
j)	The financial plan(s) has/have monitoring mechanisms that indicates financial health.		2.9	18.8	56.5	21.7	3.97	.727
k)	The County Government conducts monthly and yearly budget variance analysis		5.8	30.4	40.6	23.2	3.81	.862

b) Ways to improve Financial Planning and Budgeting Practices to enhance performance of county governments in Kenya

The research findings sought to find other ways to improve the financial planning practices in order to enhance performance of the county governments, in their responses, 25.8% of the respondents indicated that there is need to reinforce on the financial accountability and planning, 22.8% of the respondents opined that the both the county executives and county assemblies should involve all the stakeholders in planning through county-wide public participation exercises. Twenty percent (20%) of respondents indicated that there should be strict adherence to the budget forecasts that provide the both the revenue and expenditure estimates and at the same time follow the provisions in Public Financial Management Act, 2012. In addition, 12.8% of the respondents observed that efforts should be put in place to fully automate the revenue systems. Although, there has been a constant delay in disbursement of funds from the national government, with 4.3% of the respondents affirming that there should a timely disbursement of funds by the National treasury, 10% of respondents suggested that when it is done, it should be done directly to the respective county department for faster utilisation as opposed to the county treasury before it is re-allocated. Furthermore, 4.3 % of respondents pointed out that the devolved government units should offer extra training to bolster the knowledge and skills of various county officials to foster service delivery.

Table 3: Ways to improve Financial Planning and Budgeting Practices to enhance performance of county governments in Kenya

Item	Frequency	Percent
a) Ensure financial accountability and transparency	54	25.8
b) Engage public participation in order to involve all stakeholders in planning	48	22.8
c) Strict adherence to the budget and Public Financial Management Act	42	20.0
d) Fully automation of the revenue system	27	12.8
e) Direct disbursement of allocation from the treasury to the specific department	21	10.0
f) Offer extra training	9	4.3
g) Timely disbursement of funds by the National treasury	9	4.3
Total	**210**	**100**

c) Correlation results of Financial Planning and Budgeting Practices on performance of county governments in Kenya

The study examined the linear relationship between financial planning and budgeting practises (FPBP) and performance. Table 4 indicates that there is positive correlation between FPBP and the performance of county governments in Kenya, r (210) =0.367, p-value <0.05. Hence, an increase in FPBP led to an increase in performance of county governments in Kenya.

Table 4: Correlation results of Financial Planning and Budgeting Practices (FPBP) on performance of county governments in Kenya

Variable		Financial Planning and Budgeting Practices	Performance
Financial Planning and Budgeting Practices	Pearson Correlation	1	.367**
	Sig. (2-tailed)		.000
	N	210	210

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

d) Regression results of Financial Planning and Budgeting Practices (FPBP) on Performance of county governments in Kenya

Since the correlation analysis showed that there is a positive relationship between FPBP and performance of county governments in Kenya, a regression analysis was conducted to establish the extent to which FPBP influences performance of county governments in Kenya. A hypothesis to guide the study was as follows:

Hypothesis H_{01}: Financial planning and budgeting practices has no significant influence on performance of county governments in Kenya in Kenya. Therefore, to test this hypothesis, the model $Y = \beta_0 + \beta_1 X_1 + \varepsilon$ was fitted with FPBP as an independent variable. Table 5 shows that the co-efficient of determination, R^2 was 0.134 meaning that 13.4 % of performance of county governments in Kenya can be explained by FPBP with the difference of 86.6% being described by other factors outside the model.

Table 5: Financial Planning and Budgeting Practices (FPBP) on performance of county governments in Kenya Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
M_1	.367[a]	.134	.132	.45620
a. Predictors: (Constant), Financial Planning and Budgeting Practices (FPBP)				

Results in Table 6 indicates that the relationship between FPBP and performance of county governments in Kenya in the model was significant ($F(1, 210) = 59.592$, $p<0.05$).

Table 6: Financial Planning and Budgeting Practices (FPBP) on Performance of County governments in Kenya ANOVA

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
M_1	Regression	12.402	1	12.402	59.592	.000[a]
	Residual	79.918	208	.208		
	Total	92.320	209			
a. Predictors: (Constant), Financial Planning and Budgeting Practices (FPBP)						
b. Dependent Variable: Performance						

Furthermore, β co-efficient for FPBP was significant (β =0.367, t=7.720, p<0.05) meaning that that for every 1unit increase in FPBP there was an equivalent increase by 0.367 in performance of county governments in Kenya. Hence, the model equation for FPBP was;

Model m_1 $Y = \beta_0 + \beta_1 X_1 + \varepsilon$

$\mathbf{Y} = 2.172 + 0.342\ \mathbf{X_1}$

In conclusion, the results confirm that FPBP has significant influence on the performance of county governments in Kenya and hence the null hypothesis, H_{01} is rejected.

Table 7: Financial Planning and Budgeting Practices (FPBP) on performance of county governments in Kenya Regression Weights

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
M_1	(Constant)	2.172	.167		13.029	.000
	Financial Planning and Budgeting Practices (FPBP)	.342	.044	.367	7.720	.000
a. Dependent Variable: Performance						

e) Discussion of research findings on the relationship between Financial Planning and Budgeting Practices on performance of county governments

Financial planning and budgeting practices (FPBP) was measured using 5-point Likert scale with 1= 'Strongly Disagree' and 5= 'Strongly Agree 'statements. The study findings showed that there is positive correlation between FPBP and the performance of county governments in Kenya ($r (210) = 0.367$, p-value <0.05). The model shows that relationship between FPBP and performance of county governments in Kenya is significant ($F (1, 210) = 57.592$, $p<0.05$) and $R^2=0.134$ meaning that 13.4 % of performance of county governments in Kenya can be explained by FPBP with the difference that is 86.6% described by other factors outside the model. Furthermore, β co-efficient for FPBP was significant ($\beta=0.342$, $t=7.720$, $p<0.05$) meaning that for every 1 unit increase in FPBP equivalent increase by 0.342 in performance of county governments in Kenya. These results are consistent with previous studies investigating the influence of financial planning and budgeting practices and performance.

Research findings from a study on influence of influence of financial planning practices on the performance of county governments a study of selected counties in Kenya by Mogaka, Atambo and Mogwambo (2016) conducted on 244 respondents in five counties; Kisii, Nyamira, Kericho, Bomet and Migori found out that that financing decisions practices are useful for the county governments. In particular, the trio noted budgeting practices had a positive significant influence on performance of selected county governments in Kenya. In conclusion, they observed that financial executives still struggled with the need to synthesize financial and non-financial data and performance measurements in a single system in which they would also perform planning, budgeting, forecasting, financial consolidation, reporting and analysis in real time (Mogaka et al., 2016).

Similarly, results of the analysis from Arasa and K'Obonyo (2012) reveal the existence of a relationship between strategic planning and firm performance with a Pearson moment product coefficient of 0.616. The findings also indicated existence of a relationship between strategic planning and both financial and non-financial performance indicators. It was observed that firms that exhibit higher levels of strategic planning perform better in both financial and non-financial indicators compared to those exhibiting low levels of strategic planning (Arasa & K'Obonyo, 2012). Examining the strategic planning constituent variables and their link to performance, it was evident that no doubt there are correlations between these constituent variables and performance. This finding conforms to the theoretical arguments by David (1997), Greenley (1986), Henderson

(1979), and Hofer and Schendel (1980) , that organisations both in public and private sectors record improved performance once they effectively embrace strategic planning. Therefore, findings from previous studies either in public or private sectors showed a relationship between strategic planning and firm performance existed regardless of context (geographical or business sector).

SUMMARY OF FINDINGS

Effect of financial planning and budgeting practices on performance of county governments in Kenya

The study's objective was to investigate how financial planning and budgeting practices (FPBP) influence the performance of county governments in Kenya. From this objective, it was hypothesized that FPBP has no significant influence on the performance of county governments in Kenya. Notwithstanding, the results showed that a positive statistically significant relationship existed between the two variables with FPBP explaining 13.4% of performance of county governments in Kenya leaving 86.6% by other factors outside the model.

Financial planning offers important tools that help county government determine their current conditions and plan for its future. Financial Planning and Budgeting Practices involve evaluating the current financial condition of government, analysing the future growth prospects and options, appraising the development options to achieve the stated growth objectives, estimating funds requirement and considering alternative financing options and measuring actual performance with the planned performance. The Financial Planning and Budgeting Practices include budget and budgetary practices, financial forecasting practices and financing decisions practices. Therefore, budgeting allows a county government's treasury to plan, make proper choices, and decide on the mission and direction of a county government. However, the study found out that while various counties utilize County Integrated Development Plan as its primary planning document for all the projects and programmes, timely disbursement and resource allocation have always remained the principal means of implementing them.

County government recommendations

Firstly, the study recommends that the county governments should consider adopting sound budgeting practices as envisaged in relevant legislative framework and particularly PFM Act. This will allow the management to create a comprehensive understanding that can be leveraged to influence stakeholders and create better decisions on performance of county governments. The study recommends that the county governments in Kenya should keep on availing finances as well as re-assessing the financial policies. This will help to identify whether the adopted financial forecasting practices are making any acceptable difference. The study also recommends that it is very crucial that the county governments in Kenya put in place financing decisions practices; this will help the institutions to gather useful information that will provide valuable insights in the strategy and the necessary input to find effective responses to optimize the performance of county governments in Kenya.

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