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EFFICIENT PUBLIC FINANCIAL MANAGEMENT PRACTICES: KEY TO SUSTAINING DEVOLUTION IN KENYA

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ABSTRACT

Devolution in Kenya, established under the 2010 Constitution, is critical in local governance, economic development, service delivery, and grassroots community development. This necessitates optimizing revenue streams, rigorously controlling expenses, and prudently managing investments to maximize returns while minimizing risks. This research, therefore, investigated public financial management practices' impacts on the financial sustainability of Kenya's Makueni County, specifically targeting financial planning, revenue mobilization, financial reporting, and financial controls. Agency and fiscal decentralization theories underpinned the study. Employing a positivist paradigm (philosophy) with an explanatory design, 118 respondents across various departments formed the target population. The study utilized both primary and secondary data, where the analysis was conducted via descriptive statistics and inferential analysis. The findings revealed that financial planning, revenue mobilization, and financial controls significantly enhance financial sustainability, while financial reporting alone has an insignificant direct effect. The study concludes that effective PFM practices are essential for achieving financial sustainability in devolved governments. sector.

Key Words: *Public Financial Management, Financial Sustainability, Financial Planning, Revenue Mobilization, Financial Reporting, Financial Controls*

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INTRODUCTION

Devolved government has emerged as a cornerstone of modern governance systems globally, characterized by the transfer of economic, legislative, and political powers from central to sub-national entities (Juma, Rotich & Mulongo, 2024). This decentralization is widely lauded for its potential to foster localised economic development, enhance citizen participation, and ensure more equitable resource distribution, particularly benefiting previously marginalized communities (McCollun *et al*., 2018; Mutongu, 2019). The success of devolved units hinges significantly on their financial sustainability, the entity’s inherent capacity to uphold long-term fiscal resilience, fulfilling its mandate without compromising future fiscal viability (Smith, 2021). This encompasses robust revenue generation, diligent cost management, strategic resource allocation, and effective risk mitigation strategies (Jones & Lee, 2019; Miller, 2023).

Central to achieving and maintaining financial sustainability is effective public financial Management (PFM). PFM is a comprehensive framework encompassing the planning, allocation, utilization, and monitoring of public funds to achieve socio-economic objectives (Allen & Tommasi, 2019). It involves the systematic stewardship of resources derived from taxes, loans, and grants to support critical public services, infrastructure development, and social welfare programs (Shah, 2020). Strong PFM practices are universally acknowledged as vital for fostering economic stability, attracting investment, and ensuring sustainable development (Robinson & Wescott, 2023).

Financial sustainability is a crucial and multifaceted concept for counties, extending beyond just solvency or short-term budget balancing. It represents a county's inherent ability to maintain financial health long-term, consistently meeting its obligations, funding essential public services, and strategically investing in development without compromising future fiscal viability (Smith, 2021). Achieving this demands a delicate balance: generating sufficient revenue, prudently managing expenditures, effectively controlling debt, and strategically allocating resources for both current needs and future growth (Jones & Lee, 2019; Miller, 2023).

Financial sustainability in county governments is operationalized by the Self-sufficiency ratio(SSR), which is given as a ratio of own source revenue to total revenue, where a threshold of more than 15% show County government is financially sustainable (World Bank, 2019, CRA,2020). The Canadian Institute of Chartered Accountants (CICA) (1997) describes SSR as a key measure of devolved governments' financial sustainability, which consequently aligns with the IMF and international public sector accounting guidelines, which outline the benefits of generating own revenue over the reliance on central government transfers (IMF,2020). Bahl & Bird (2008) indicate that some developing countries attribute at least 10% of the total revenue from own-source revenue, which is very low to ensure financial independence in devolved governments.

PFM is a multifaceted process integral to the functioning of modern governments, encompassing the planning, allocation, utilization, and monitoring of public funds to achieve socio-economic objectives (Allen & Tommasi, 2019). Effective PFM practices are essential for promoting economic stability, attracting investment, and fostering sustainable development (Robinson & Wescott, 2023). In Kenya, public financial management practices are undergoing significant transformation to address fiscal vulnerabilities and enhance accountability, with initiatives such as the Integrated Financial Management Information System (IFMIS) introduced to streamline financial processes and reduce opportunities for corruption (World Bank, 2020); however, compliance with Kenya’s PFM

Act. In 2012, the devolved government level faced several challenges, including poor budgeting practices, delayed disbursement of funds, inadequate capacity, and issues with revenue collection systems (Kahutu, 2019; Ewang, 2019). The key indicators of PFM that this study will tackle are financial planning, revenue mobilization, financial reporting, and financial controls.

Statement of the Problem

Devolved governments globally face multifaceted challenges in managing financial resources effectively and efficiently (Baker & Johnson, 2020). County governments must adapt to evolving economic conditions, technological advancements, and regulatory frameworks to achieve and maintain long-term financial sustainability (Garcia *et al.*, 2024). In Kenya, devolution was established under the 2010 Constitution. It plays a pivotal role in promoting local governance, enhancing service delivery, and fostering grassroots development. Comprising 47 counties, this decentralized system aims to enable more efficient and responsive decision-making at the local level (Chege & Muathe, 2020).

Previous research has explored aspects of financial sustainability and public financial management in local governments, with studies identifying key factors like revenue generation, expenditure management, and financial controls (Belayneh & Jema, 2020; Ahmad & Mohamad, 2018; Cheruiyot, 2018; Kwakye & Anaman, 2018). Contextually, findings from studies in diverse international settings like Ethiopia, Malaysia, Somalia, Ghana, or India (Belayneh & Jema, 2020; Ahmad & Mohamad, 2018; Mohamed & Muturi, 2019; Kwakye & Anaman, 2018; Malik, 2020) are often not directly transferable to Kenya's unique socio-economic, political, and regulatory landscape, and much research has focused on different organizational levels or sectors rather than specific county governments.

Methodologically, gaps persist as many studies either use general measures of financial performance instead of a precise indicator like the SSR (Cheruiyot, 2018), lack explicit details on how PFM effectiveness is assessed, or suffer from generalizability issues due to limited sample sizes, demographic biases, or the use of descriptive research designs that do not fully explain causal relationships (Nyale & Omar, 2020; Mariwa & Ng'ang'a, 2021; Wesiche, 2018). Therefore, the foregoing literature review shows there exist conceptual gaps, contextual gaps, and methodological gaps that require research that specifically examines how PFM practices and governance mechanisms influence local government entities' financial sustainability, like the Makueni County Government.

To address the conceptual and methodological gaps identified in the problem analysis, this study seeks to evaluate the relationship between core Public Financial Management practices and institutional fiscal resilience. The research specifically investigates the influence of key independent variables, namely financial planning, revenue mobilization, financial reporting, and financial controls, on the financial sustainability of Makueni County Government, Kenya.

LITERATURE REVIEW

Theoretical Review

The anchor theory for the study was Agency Theory. Agency theory by Jensen and Meckling (1976) states that organizations involve principals(shareholders) and agents, in this case, county officials, where the agents may want to act in their own interest instead of how the principal would want, basically because of information asymmetry. In this relationship, the principal lets the agent handle decision-making. The theory holds that conflicts may arise due to misaligned interests, with agents potentially pursuing their self-interests at the expense of the principal's objectives, such as efficient financial planning and sustainability. Hence, this theory tries to solve principal-agent conflicts.

The core assumptions of agency theory include the inherent self-interest and rationality of both principals and agents, coupled with an information asymmetry where agents possess more information than principals. This asymmetry creates opportunities for agents to act opportunistically. To mitigate these agency problems, the theory emphasizes the crucial role of monitoring mechanisms. The agency theory accentuates internal control systems' vitality in augmenting financial reporting and control, openness, and accountability. Such controls are essential in the public sector (especially counties) to reduce information asymmetry and ensure that administrators serve people's common interest. Internal control systems mitigate agency relationships associated risks as they encourage openness and responsibility in financial reporting and, therefore, reinforce governance and improve financial integrity (Abdi, 2015).

Empirical studies by Abdi (2015) and Jensen and Payne (2003) confirm that financial controls, such as audits and strict supervision, would reduce agency costs and enhance fiscal outcomes. Sound oversight facilitates counties to plan their resources more effectively so that financial decisions are not out of focus with institutional goals. Enhancing financial controls not only enhances fiscal discipline, but also helps directly towards financial sustainability in the long term since it helps to reduce inefficiencies as well as promote accountable governance. In the context of financial planning within Makueni County, agency theory emphasizes the crucial need for robust planning mechanisms and transparency, facilitated by effective internal controls, to reconcile government officials' (agents) interests with the goals of financial sustainability set by citizens (principals).

Despite its strengths, agency theory is criticized for overly simplifying complex organizational relationships and for assuming a narrow, self-interest-driven motivation in public agents (Eisenhardt, 1989). This perspective may underestimate the significant role of trust, intrinsic motivation, and a public service ethos in public administration, potentially missing other factors influencing behavior. Nevertheless, for Makueni County, agency theory remains relevant by explaining how effective oversight and transparent financial planning, supported by strong internal controls, are essential to mitigate misaligned interests and improve economic sustainability in line with citizen expectations.

The second theory applied in the study was the Fiscal Decentralization Theory. Advanced by Wallace Oates (1972, 1999), Fiscal Decentralization Theory posits that local authorities are particularly well placed to grasp and meet their constituents' priorities, thereby enabling more efficient revenue mobilization. It asserts that devolving financial responsibility, including revenue collection and expenditure management, promotes accountability and ensures better alignment between public spending and local priorities. It rides on the assumption that local governments possess adequate capacity to generate and manage revenues. They contend that local citizens, being better informed about their needs and preferences, facilitate more efficient and effective resource allocation. Furthermore, decentralization is believed to foster increased competition among local governments, thereby improving overall fiscal performance. In the context of Makueni County, fiscal decentralization theory supports the county's capacity to mobilize its own-source revenue, thus reducing its overreliance on national government transfers. This theoretical perspective underpins efforts to enhance local revenue collection mechanisms, fostering greater financial autonomy and sustainability.

This theoretical grounding is further elaborated by scholars such as Richard Musgrave (1959, 1961), whose framework for government functions highlights the "Allocation Function", determining the mix of public and private goods, as particularly suitable for county management due to its ability to match public services to diverse local preferences. Wallace, via his decentralization theorem, reinforces this, suggesting that local provision of public goods tailored to specific jurisdictions is more efficient than uniform national provision. Beyond efficiency, the theory also emphasizes decentralization for fostering enhanced governance through greater responsiveness and accountability of local officials to their constituents, given their proximity and the direct link between local elections and service delivery. Moreover, it is argued to promote diversity in public policy, allowing local governments to serve as "laboratories" for innovation and experimentation, and to boost political participation by offering citizens a more direct role in local debates and decision-making.

However, critics argue that fiscal decentralization may exacerbate regional inequalities, as wealthier regions can generate more revenue while poorer areas remain financially strained (Bahl & Linn, 1992). Additionally, local governments may lack the administrative capacity to efficiently mobilize and manage revenues. In this study, Fiscal Decentralization Theory informs the importance of revenue mobilization for Makueni County's financial sustainability, emphasizing that strengthening local revenue sources is key to reducing the county's dependence on national transfers.

Empirical Review

Devolved governments in Kenya often face challenges with revenue mobilization, which undermines their sustainability (Akello *et al*,.2018). The review employing descriptive research explored challenges that devolved governments face in revenue mobilization. This design helped in capturing a detailed picture of the situation within the counties. The study focused on a sample drawn from officials responsible for financial management in various county governments across Kenya. These included county treasury officers, revenue officers, and key decision-makers involved in resource allocation. Their research highlights the importance of financial planning strategies that focus on expanding local revenue streams, improving tax collection, and maximizing the potential of locally generated resources. Strategic financial planning provides clear paths for identifying and optimizing these revenue sources.

Revenue diversification is a key resource mobilization strategy linked to financial sustainability. According to Otieno and Ochieng (2020), diversifying revenue streams through taxes, fees, charges, and private-public partnerships (PPPs) can improve the financial stability of county governments. A mixed-methods approach with descriptive research was adopted to capture current practices of revenue diversification in county governments and an exploratory aspect to investigate new strategies for improving financial stability through diverse revenue streams. The authors found that counties that rely heavily on external funding face risks of financial instability when these transfers are delayed or reduced, whereas those with diversified revenue sources are more resilient. This study, however, did not empirically demonstrate the relationship between resource mobilization and financial sustainability, creating a conceptual gap that the current study will seek to address.

A study by Lysiak, Kachula, Hrabchuk, Filipova, and Kushnir (2020) examines Ukraine's local budgets' financial sustainability, focusing on the factors that impact their stability and effectiveness. Descriptive and regression methods were applied to the quantitative dataset, with thematic analysis used to interpret qualitative interview findings related to financial sustainability, providing a comprehensive understanding of the factors impacting local budget effectiveness in Ukraine. The research emphasizes that decentralization plays a critical role in enhancing local budget sustainability by granting more financial independence to local authorities. The authors use several criteria to assess financial sustainability, including revenue generation capacity, expenditure management, and the ability to meet financial obligations without external assistance. The study identifies major challenges to financial sustainability in Ukraine's local budgets, such as uneven revenue distribution, dependency on state transfers, and inefficiencies in budget planning and execution. The examination, however, failed to assess financial reporting impacts on the public sector's financial sustainability, a conceptual gap that the present examination bridged. This limitation is further nuanced by the measure of financial sustainability derived from the self-sufficiency ratio that this present study utilizes.

Effective financial controls are critical in guaranteeing sustainability by promoting transparency, accountability, and proper management of public funds. This literature review explores the relationship between financial controls and financial sustainability, centering on studies from developing and developed contexts. Financial controls are integral to public financial management (PFM) systems, ensuring that government spending aligns with budgets and policy objectives. The World Bank (2018) argues that strong financial controls, including budget planning, expenditure management, and audit processes, significantly contribute to financial sustainability in the public sector. These controls help mitigate financial risks, reduce waste, and enhance accountability, all of which are vital for long-term fiscal stability.

METHODOLOGY

This research employed a positivist epistemology philosophy. The positivist philosophical approach allows a study to propose hypotheses depending on the available theories related to the research problem (Shah *et al.,* 2016). The research utilized an explanatory research design, which, according to Das (2016), is appropriate for research that aims at establishing the relationship between variables. Stewart and Sunkpho (2020) stated that explanatory design aims at answering the why questions, and it involves creating causal explications of a phenomenon when the problem under study is not well understood and unstructured. The study collected both primary and secondary data through closed-ended questionnaires and a data extraction form from the County Director in charge of finance. The respondents to the questionnaire comprised 118 officers drawn from various departments and committees within the county government to ensure a comprehensive examination of PFM practices and their effect on financial sustainability in Makueni County.

The study used a multiple regression model (Cheruiyot, 2018) as indicated below. Multiple linear regression is the most appropriate analytical technique for this study, as it assesses the collective predictive power of several independent variables in explaining variations within a specified dependent variable.

$$\boldsymbol{Yt = \beta 0 + \beta 1X1t + \beta 2X2t + \beta 3X3t + \beta 4X4t + \epsilon \dots\dots\dots\dots\dots\dots Model\ (3.1)}$$

Yt = Financial Sustainability (FS) (measured by Own Source Revenue / Total Revenue)

$\mathbf{X_{1t}}$ = Financial Planning (FP)

$\mathbf{X_{2t}}$ =Revenue Mobilization (RM)

$\mathbf{X_{3t}}$ = Financial Controls (FC)

$\mathbf{X_{4t}}$ = Financial Reporting (FR)

$\boldsymbol{\beta_0}$**:** Constant term

$\beta_1, \beta_2, \beta_3, \beta_4$= Coefficients of independent variables

ε: Error term

The collected data were analyzed using Stata statistical software due to its strong capability in handling econometrics. The analysis comprised both descriptive and inferential statistics. Descriptive statistics included measures such as means and standard deviations, which summarized the characteristics and variability of the study variables across. Trend analysis was also conducted to observe the direction and movement of key financial sustainability indicators over the study period (2017-2023). Inferential statistics included the Pearson correlation coefficient, which quantified the magnitude and orientation of linear relationships. PFM practices' influence on financial sustainability relied on multiple linear regression analysis, which was confirmed by previous studies (Lysiak et al., 2020; Okuto, 2018). According to Brooks (2014), regression models have been useful in forecasting changes in dependent variables depending on the changes in the independent variables. Hypothesis testing was done at a confidence level of 95 percent, and to analyze qualitative data, a content analysis was done to draw meaningful information.

FINDINGS AND DISCUSSIONS

The findings are based on 106 questionnaires, which were duly completed and returned. The descriptive statistics and inferential statistics are presented and discussed as per the study objectives.

Descriptive Statistical Analysis

The researcher performed a descriptive statistical analysis to evaluate the status of public financial management practices, namely financial planning, revenue mobilization, financial reporting, and financial controls, that were investigated for their impact on the financial sustainability of the Makueni County Government, Kenya. Table 1 presents a summary of the descriptive statistics in terms of means and standard deviation.

Table 1: Descriptive Statistics for Financial Management Practices

Descriptive Statistics	Mean	Std Dev
Financial Planning	3.61	1.237
Revenue Mobilization	3.62	1.269
Financial Reporting	3.54	1.312
Financial Controls	3.53	1.281
Total average	**3.575**	**1.274**

The results indicate that respondents generally agree that financial planning practices bolster the county's financial sustainability, as reflected in the aggregate mean score of 3.614. The statement "The county government planning processes focus on long-term financial resilience" registered the top mean score, 3.74, suggesting respondents perceive the planning process to emphasize sustainability and resilience in financial management. This outcome affirmed the findings of Akello et al. (2018),.2018 whose research highlighted the importance of financial planning strategies that focus on expanding local revenue streams, improving tax collection, and maximizing the potential of locally generated resources. Strategic financial planning provides clear paths for identifying and optimizing these revenue sources.

The results indicate that respondents generally agree that revenue mobilization practices contribute to the county's financial sustainability, as denoted by a 3.62 aggregate mean score. "The county government imposes huge fines and penalties for violations of county regulations or laws, such as traffic violations or environmental infractions." This statement recorded the highest mean of 3.94, suggesting that enforcement of fines is perceived as a significant contributor to revenue generation. A study by Kosaye (2018) also suggested that by implementing the above measures, counties would save on revenue collection costs, improve collection targets, and reduce the time taken in resource mobilization. Though the above measures can improve revenue mobilization, there is a need for the county government to invest more in staff training and implement effective communication and equipment to increase the resource mobilization process.

The results indicate that respondents generally agree that financial reporting practices contribute to financial sustainability, as reflected in the aggregate 3.54 mean score. It was observed that timely reporting improves transparency and accountability", suggesting that respondents perceive prompt reporting as a critical factor in enhancing financial governance and sustainability. Legal compliance in financial reporting and disclosure of full financial information to stakeholders were proposed as key components to promoting transparency and accountability.

These findings concurred with those of De Villiers and Sharma (2020), who argue that regulatory bodies, academic institutions, and businesses must collaborate to create robust reporting frameworks that meet these evolving needs. This study confirms the critical role of financial reporting. Similarly, Orazalin and Mahmood (2020) and Richard (2019) highlighted that financial reporting is key to financial sustainability because it helps to prevent loopholes that otherwise could have been used for corruption or misappropriation of public funds. For effective financial reporting, there is a need for proper structures of governance and well-equipped personnel.

The results indicate that respondents generally agree that financial controls contribute to financial sustainability, as reflected in the aggregate mean score of 3.54. The county government's regular compliance checks help ensure financial sustainability in Makueni County. This is implemented through routine compliance monitoring, which is a key mechanism for maintaining fiscal discipline. Robust audit and the existence of an effective risk management framework were also identified as important for ensuring accountability and mitigating risks of fraud, corruption, and resource wastage.

Examination outcomes concurred with Nyamita *et al* (2020), who concluded that improving financial controls, such as stricter auditing and more transparent reporting, is essential for countries to achieve financial sustainability. Internal audits are a critical component of financial controls. The study further supported those of Otieno (2019), which emphasized that counties with robust internal audit functions are more likely to detect financial irregularities and ensure that resources are used effectively. This, in turn, promotes financial sustainability. The study notes that many Kenyan counties lack the capacity for effective internal auditing, leading to significant financial mismanagement.

The study used the Self-Sufficiency Ratio (SSR) as a measure of the proportion of a county's total revenue that is generated from its own sources, reflecting financial autonomy and sustainability. Figure 1 presents the trends in Makueni County's OSR, total revenue, and SSR from 2017/18 to 2022/23.

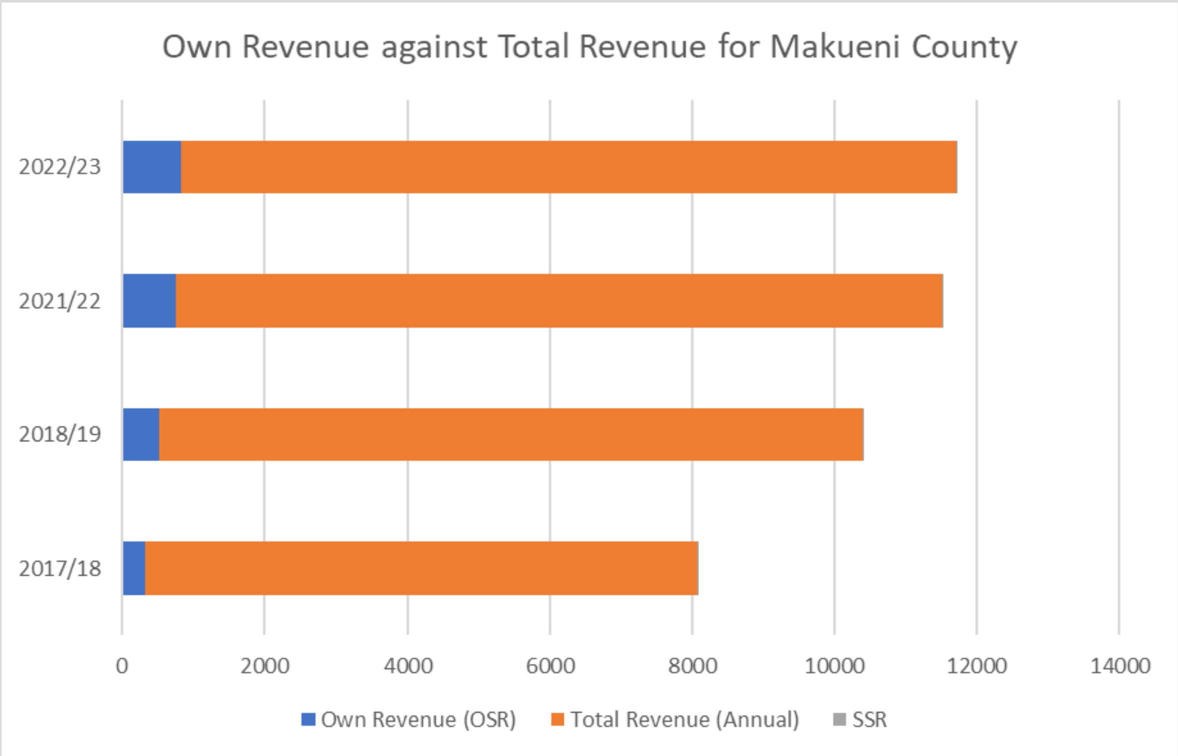

Figure 1: Own Revenue against Total Revenue for Makueni County

The data show a gradual improvement in the county's financial self-sufficiency over the observed period: In 2017/18, Makueni County generated only 4.1% of its total revenue from own-source revenue (OSR), indicating a heavy reliance on national government transfers. The SSR increased to 5.2% in 2018/19, reflecting modest improvements in revenue collection initiatives.

By 2021/22, the SSR had risen to 7.0%, and further to 7.6% in 2022/23, indicating incremental growth in the county's fiscal autonomy. Despite this upward trend, the SSR remains well below the recommended benchmark for sustainable financial independence, highlighting persistent challenges in revenue mobilization and financial sustainability. The figures suggest that while Makueni County has made some progress in generating own-source revenue, it still relies heavily on national government allocations to meet its financial obligations and service delivery needs.

These findings support the findings of CRA (2020) and World Bank (2019), which found that despite the inception of devolution, Makueni County faces significant financial sustainability challenges, largely due to overreliance on national government transfers and consistent shortfalls in own-source revenue (OSR). From 2013 to 2023, the trend shows an inconsistent Self-Sufficiency Ratio (SSR) between 4% and 8.3%, which is far below the required rate to achieve financial independence. Further, the Controller of Budget Report (2023) found that the county consistently missed OSR targets, incurring annual shortfalls of KES 161-310 million, with collection percentages frequently below a robust 80% threshold (Makueni County Treasury, 2023). This underperformance hinders service delivery and long-term obligations, mirroring broader fiscal challenges common among Kenyan counties.

Inferential Analysis

The researcher performed an inferential statistical analysis to examine the relationship between public financial management practices and financial sustainability, namely bivariate correlation analysis and multivariable regression modeling, that were utilized to determine the statistical significance and joint effect of the predictors on the Makueni County Government, Kenya. Table 2 shows the correlation results.

Table 2: Correlation Matrix

	FP	RM	FR	FC	FS
Financial Planning (FP)	1				
Resource Mobilization (RM)	.487** .000	1			
Financial Reporting (FR)	.655** .000	.690** .000	1		
Financial Control (FC)	.658** .000	.689** .000	.733** .000	1	
Financial Sustainability (FS)	.651** 0.000	.690** 0.000	.696** 0.000	.740** 0.000	1

Table 2 presents outcomes that show that Financial Planning had a correlation ($r = .651$, $p < 0.01$). The outcomes uncover that financial planning had a strong positive relationship with financial sustainability. Revenue Mobilization had a correlation of ($r = .690$, $p < 0.01$), which also implied that effective revenue collection strategies, automation, diversification of revenue streams, and appropriate fees and penalties are positively associated with financial sustainability. The correlation between financial reporting and financial sustainability was $r = .696$, $p < 0.01$. This strong positive correlation indicates that timely, accurate, open, and compliant financial reporting contributes significantly to financial sustainability. The correlation between financial controls and financial sustainability was ($r = .740$, $p < 0.01$). This is the strongest predictor among the variables. It suggests that improvements in audit checks, compliance mechanisms, expenditure reviews, and risk management practices are strongly associated with enhanced financial sustainability in Makueni County.

The study conducted a multiple regression analysis to determine the combined and individual effects of public financial management practices, financial planning, revenue mobilization, financial reporting, and financial controls on the financial sustainability of Makueni County. The results are presented in Tables 3-5.

Table 3: Regression Model Summary

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.810[a]	.657	.643	.49957

a. Predictors: (Constant), Financial Control, Financial Planning, Resource Mobilization, Financial Reporting

The model summary in Table 3 shows an R-Square value of 0.657, which implies that 65.7% of the variation in financial sustainability is explained by the four public financial management practices included in the model. The Adjusted R Square of 0.643 confirms that the model is robust and remains a good fit even after adjusting for the number of predictors. The standard error of 0.49957 indicates moderate variability between observed and predicted values.

Table 4: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.757	4	11.939	47.838	.000[b]
	Residual	24.957	100	.250		
	Total	72.714	104			

Survey Data (2025)
a. Dependent Variable: Financial Sustainability
b. Predictors: (Constant), Financial Control, Financial Planning, Resource Mobilization, Financial Reporting

The ANOVA results (Table 4.5) show an F-statistic of 47.838 with a significance value of $p < 0.001$, meaning the model is statistically significant and the independent variables, collectively, have a meaningful impact on financial sustainability. This confirms that the overall regression model is reliable for predicting financial sustainability.

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.002	.267		.006	.995
	Financial Planning	.238	.085	.233	2.812	.006
	Resource Mobilization	.308	.096	.281	3.205	.002
	Financial Reporting	.133	.100	.131	1.322	.189
	Financial Control	.318	.105	.298	3.014	.003

a. Dependent Variable: Financial Sustainability

Regression outcomes confirm that financial planning positively and statistically significantly affects financial sustainability ($\beta = 0.238$, $p = 0.006$). Since the p-value is less than 0.05, the null hypothesis (H01) is rejected. This implies that improvements in financial planning, such as better forecasting, budgeting, and prioritization, significantly enhance the county's financial sustainability. Effective planning ensures optimal allocation of scarce resources, thereby strengthening fiscal stability. This affirmed Akello *et al.'s (2018)* findings, which highlighted the importance of financial planning strategies that focus on expanding local revenue streams, improving tax collection, and maximizing the potential of locally generated resources. Strategic financial planning provides clear paths for identifying and optimizing these revenue sources.

Revenue mobilization was revealed as a significant predictor of financial sustainability ($\beta = 0.308$, $p = 0.002$). With a p-value well below 0.05, the study rejects H02. This suggests that increased efforts in mobilizing own-source revenue (OSR) through improved compliance, diversified revenue streams, and enhanced collection efficiency positively influence the county's capacity to sustainably finance its operations. Strong revenue mobilization reduces overreliance on national transfers and supports long-term fiscal resilience. The study findings supported those by Otieno and Ochieng (2020), who argued that diversifying revenue streams through taxes, fees, charges, and private-public partnerships (PPPs) can improve the financial stability of county governments.

Although financial reporting shows a positive coefficient, the relationship is statistically insignificant ($\beta = 0.133$, $p = 0.189$). The p-value exceeds the 0.05 threshold, leading to a decision to fail to reject H03. This result implies that, while accurate reporting is important for accountability and transparency, it does not independently exert a strong direct influence on financial sustainability in this context. This may suggest gaps in how financial reports are used for decision-making or limited integration of reporting outputs into resource allocation and control processes. These findings failed to support those of De Villiers and Sharma (2020), who argue that regulatory bodies, academic institutions, and businesses must collaborate to create robust reporting frameworks that meet these evolving needs. This study confirms the critical role of financial reporting. Similarly, Orazalin and Mahmood (2020) and Richard (2019) highlighted that Financial reporting is key to financial sustainability because it helps to prevent loopholes that otherwise could have been used for corruption or misappropriation of public funds. For effective financial reporting, there is a need for proper structures of governance and well-equipped personnel.

The results show a positive and statistically significant association between financial controls and financial sustainability ($\beta = 0.318$, $p = 0.003$). With a p-value below 0.05, the study rejects H04. This indicates that effective internal controls—such as audit mechanisms, expenditure tracking, and adherence to financial regulations—significantly enhance financial sustainability. Strong controls minimize wastage, curb leakages, and ensure prudent use of public resources. Findings echoed Nyamita *et al* (2020), who concluded that improving financial controls, such as stricter auditing and more transparent reporting, is essential for countries to achieve financial sustainability. Internal audits are a critical component of financial controls. The study further supported those of Otieno (2019), which emphasized that counties with robust internal audit functions are more likely to detect financial irregularities and ensure that resources are used effectively. This, in turn, promotes financial sustainability. The study notes that many Kenyan counties lack the capacity for effective internal auditing, leading to significant financial mismanagement.

CONCLUSIONS

Findings yield the following conclusions: Public Financial Management practices are critical determinants of financial sustainability. Financial planning, revenue mobilization, and financial controls significantly enhance the county's ability to manage resources effectively and sustain fiscal operations. Financial reporting alone does not significantly influence financial sustainability. Its impact is likely indirect, requiring integration with effective planning, controls, and governance to translate into tangible fiscal outcomes. Overall, the study concluded that financial sustainability in devolved governments is a product of both effective public financial management and strong governance, which together determine the county's capacity to manage resources, deliver services, and maintain fiscal independence.

RECOMMENDATIONS

Based on the study findings, the following recommendations are proposed for policymakers, county officials, and other stakeholders: Counties should prioritize comprehensive financial planning, including budget alignment, expenditure control, debt management, and long-term forecasting. Structured financial planning enhances resource allocation and ensures sustainable fiscal operations. County governments should diversify revenue sources, automate collection systems, and optimize revenue-generating activities such as leasing assets, fees, and fines. Incentives for compliance and investment should be strengthened to improve fiscal independence.

While financial reporting alone did not significantly impact sustainability, counties should ensure that reports are timely, accurate, and fully integrated into decision-making processes. Adoption of international standards and stakeholder-focused reporting can improve transparency and accountability. Robust internal controls, regular audits, risk management frameworks, and automated financial systems are essential to prevent fraud, corruption, and resource wastage. Counties should institutionalize these mechanisms to safeguard public resources.

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