REVIEWED JOURNAL INTERNATIONAL of Financial Management [ISSN 2663-127X]

Vol. 7, Iss. 1 (2026), pp. 108 - 125, June 24, 2026. www.reviewedjournals.com, ©Reviewed Journals

PUBLIC FINANCIAL MANAGEMENT PRACTICES AND REVENUE GROWTH OF NAIROBI CITY COUNTY, KENYA

[1*] Zamzam Ali Ibrahim & [2] Salome Musau, PhD

[1] *Department of Accounting and Finance, Kenyatta University, Kenya*
[2] *Department of Accounting and Finance, Kenyatta University, Kenya*

Accepted: June 11, 2026

ABSTRACT

Revenue growth remains a critical component in enhancing the capacity of county governments to finance public services, infrastructure development, and socio-economic transformation. Despite various public financial management reforms implemented by county governments in Kenya, many counties continue to experience challenges in meeting their revenue targets. Nairobi City County has particularly faced stagnation in revenue growth despite increasing demands for public services and urban infrastructure. Reports indicate that the county recorded only a marginal growth in revenue collection while tax compliance levels remain below expected standards. This study sought to examine the effect of public financial management practices on revenue growth of Nairobi City County, Kenya. Specifically, the study examined the effect of revenue mobilization practices, budgeting practices, financial reporting practices, and monitoring and evaluation practices on revenue growth. The study was anchored on New Public Management Theory, Resource-Based View Theory, Agency Theory, and Stewardship Theory. A descriptive research design was adopted. The target population comprised 486 employees from the Finance and Economic Planning Department of Nairobi City County Government. A stratified random sampling technique was used to select a sample of 146 respondents. Primary data were collected using semi-structured questionnaires, while secondary data were obtained using a data collection sheet. Quantitative data were analyzed using SPSS Version 20 through descriptive statistics, Pearson correlation analysis, and multiple regression analysis. The findings revealed that revenue mobilization practices had a positive and statistically significant effect on revenue growth ($\beta = 0.184$, $p = 0.046$). Budgeting practices had a positive and significant effect on revenue growth ($\beta = 0.306$, $p = 0.004$) and emerged as the strongest predictor of revenue growth. Financial reporting practices also positively and significantly influenced revenue growth ($\beta = 0.300$, $p = 0.020$), while monitoring and evaluation practices had a positive and statistically significant effect on revenue growth ($\beta = 0.281$, $p = 0.007$). The study concludes that effective public financial management practices significantly contribute to revenue growth in Nairobi City County. The study recommends strengthening revenue mobilization systems, institutionalizing performance-based budgeting, enhancing transparency in financial reporting, and improving monitoring and evaluation frameworks to promote sustainable revenue growth.

Key Words: *Revenue Mobilization, Budgeting, Financial Reporting, Monitoring and Evaluation*

CITATION: Zamzam, A. I., & Musau, S. (2026). Public financial management practices and revenue growth of Nairobi City County, Kenya. *Reviewed Journal International of Financial Management*, 7 (1), 108 – 125.

INTRODUCTION

Revenue growth is one of the basic needs of governments in order to be able to offer good public services, develop infrastructural projects, and create a sustainable socio-economic development. The government organizations have to generate enough revenue in order to meet their responsibilities in such important areas as education, healthcare, transportation, housing, and social welfare. As a result, the effective management of public resources has become one of the important issues of modern public administration (Walshe, Harvey, Hyde, & Pandit, 2020). According to Gebretsadik (2024), the increase of the revenue in the public sector leads to the better performance of governments in the provision of services, reduction of poverty and inequality, as well as investment in innovation and technology.

Globally, public financial management has become an important governance mechanism for increasing revenues and instilling accountability in public resources management. Public financial management processes ensure that there is effective resource allocation, fiscal discipline, transparency, and build public trust in government institutions (Olaoye & Olaniyan, 2020). According to Mwambuli and Chilongani (2024), the implementation of public financial management systems will allow governments to attain financial stability, increase investments and promote sustainable economic development. Developed nations have embraced the use of digital governance and public financial management systems in order to improve their efficiency and revenues. For instance, Estonia's e-governance system has improved the delivery of services and increased opportunities of collecting revenues through the digital platform (Alas, 2023). Likewise, innovative finance tools such as Social Impact Bonds have made it possible for nations like the United Kingdom and Australia to generate funds from the private sector for public projects through the social impact bonds (Javid & Arif, 2022; Gnangnon, 2024).

However, in developing nations, the growth of revenue remains limited by various issues, including ineffective financial management systems, poor compliance levels, lack of institutional capacity, and inefficient budget processes (Jiao, Harrison, & Chen, 2023). Many African nations have undertaken public financial management reforms designed to bolster revenue generation efforts and fiscal performances. For example, tax reforms were undertaken in Ghana and helped broaden the tax base while increasing compliance levels. This resulted in an improvement in revenues for the local government and better public services (Denison, Yan, & Butler, 2024). Also, the country of South Africa has improved its municipal financial management system (National Treasury, 2025).

In Kenya, county governments have been engaging in financial management reforms after the adoption of devolution under the Constitution of Kenya 2010. In such reforms, there has been a focus on enhancing revenue mobilization strategies, budgeting processes, financial reporting and evaluation processes. There have been digitalized platforms for revenue collection, development of public-private partnerships, enhancement of participatory budgeting processes and financial accountability frameworks aimed at improving revenue performance (Macharia, Oluoch, & Ncabira, 2021). Counties with innovations in financial management have made strides in revenue mobilization, financial sustainability and service delivery achievements as highlighted by Nguyu (2024). Notwithstanding the above interventions, many county governments are still faced with revenue mobilization problems which are hampering the financing of development projects and service delivery.

The Nairobi City County is an economically and administratively important area in Kenya which plays a significant role in contributing to the economic activities in the country. This county collects income from various sources including property rates, business permits, parking fees, market charges, and others. As revealed by the Nairobi City County Annual Report (2025), the county has shown improvement in its locally collected income owing to effective collection methods and increased economic activities. However, although this county holds an economically important position in the country, it still faces difficulties in ensuring steady income growth. Increased urbanization, infrastructure requirements, expectations, and financial management issues have been creating pressures on the financial resources of the county. Therefore, it is imperative to look into how public financial management affects the revenue growth of Nairobi City County.

Problem Statement

Nairobi County has faced challenges in growing its revenue collection to the expected level despite increasing demands for public service delivery and infrastructure development, with recent statistics indicating a stagnating revenue growth rate. The County's 2023/2024 fiscal year recorded a revenue growth rate of only 2% between 2022 and 2024, which was significantly below the projected growth target of 10% specified in the County's financial plan. Moreover, the report indicated a tax compliance level of approximately 60%, limiting the County's ability to generate adequate financial resources for development and service delivery (Nairobi City County Financial Report, 2024). The situation is further compounded by infrastructure deficits estimated to cost approximately USD 1.5 billion annually in lost productivity (KIPPRA, 2024).

Dubat and Minja (2020) explored the effects of PFM practices on county government performance in Kenya, concluding that there is a positive relationship between budgeting practices and county performance. Notably, this research was done in Garissa County, a county located in Northern Kenya whose socio-economic characteristics are markedly different from those of Nairobi City County. In a separate study, Mumbi (2021) analyzed the effects of PFM practices on the performance of county governments in Kenya, concluding that public finance procurement practices significantly affect the performance of county governments. Unfortunately, the research was done in Laikipia County from 2016-2020, which is a predominantly rural area, hence leaving the question of the relevance of the study to metropolises like Nairobi unanswered. Mong'are (2023) examined the PFM practices and county government performance in Kenya and concluded that budget implementation, review and monitoring increase organizational compliance and performance. But this study did not include Nairobi City County.

While these studies have provided valuable knowledge concerning the connection between PFM practices and the performance of county governments, they mostly concentrated on organizational performance and not revenue growth and were performed in different settings from those of Nairobi City County. There is no sufficient research on the impact of revenue mobilization practices, budgeting practices, financial reporting practices, and monitoring and evaluation practices on revenue growth in Nairobi City County. This study aimed at exploring the influence of public financial management practices on revenue growth in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Framework

The study used the New Public Management, Resource-Based View, Agency, and Stewardship theories. These theories provide a foundation for understanding how PFM practices influence revenue growth within countis.

New Public Management Theory

The theory was first introduced by Christopher Hood and Michael Jackson in 1991. NPM suggests that the application of private sector management practices in the public sector would increase efficiency, effectiveness, transparency, and accountability. It focuses on measuring performance, decentralizing decision-making, focusing on customers, and efficient use of public resources. Public organizations are expected to use management practices that increase the efficiency and effectiveness of services according to the theory. NPM suggests that the government should concentrate on measurable results, proper management of finances, and accountability to improve organizational performance. Using performance-based management systems will help public organizations improve their financial sustainability. This theory applies to the current study because it justifies the need for revenue generation practices and budgeting practices to enhance revenue growth. Good budgeting practices, revenue generation practices, and performance measurement practices facilitate the maximization of resource utilization in order to attain financial gains by county governments. It therefore provides a justification for the relationship between effective public financial management practices and enhanced revenue growth in Nairobi City County.

Resource-Based View Theory

This theory was developed by Edith Penrose in 1959. This theory states that organizational performance is dependent on the access and use of valuable and important resources and capabilities. It asserts that an organization enjoys a competitive edge if it possesses valuable and rare resources that are difficult to imitate. Financial resources, technology, human capital, institutional framework, and managerial capability are some of the resources that determine organizational success. It implies that public organizations that are able to manage and utilize these resources are likely to meet their objectives. In relation to the county governments, the theory suggests that effective public financial management practices are strategic capabilities that could help increase revenues. Revenue collection systems, budgetary practices, financial reporting systems, and monitoring systems are some of the key resources in organizations that determine financial performance. The theory thus supports the assertion that public financial management capabilities can be improved to increase revenues in Nairobi City County.

Agency Theory

The theory is attributed to the authors of Jensen and Meckling who published it in 1976. It seeks to show the relationship between principals and agents whereby the principals authorize the agents to perform on their behalf. In public institutions, citizens and elected officials become the principals while public administration officials become the agents. The theory acknowledges that there is the possibility of conflict arising from the pursuit of self-interest by the agents. Inefficiency may occur from information asymmetry between the principals and the agents, misuse of resources and lack of accountability. To overcome these problems, there are various methods of monitoring and controlling the actions of the agents by the organization. This theory is important for this study since it lays a platform that helps us understand the impact of financial reporting practices and monitoring/evaluation procedures on transparency and accountability. Efficient financial reporting practices and monitoring practices lead to reduced information asymmetries and improve performance. Therefore, the theory illustrates how public financial management practices may result in better revenue growth through efficient utilization of resources.

Stewardship Theory

It was introduced by James Davis, Lex Donaldson, and F. David Schoorman in 1997. It presents an alternate view of Agency Theory by claiming that managers and administrators are not necessarily self-seeking individuals; rather, they work as stewards who are committed to achieving success for their organizations and safeguarding the organization's resources. The theory operates on the assumption that public managers are responsible, professional, dedicated, and goal-oriented. Stewards are concerned with the long-term interests of the organizations, and thus they are efficient in utilizing resources. In relation to public financial management, the Stewardship Theory is concerned with the ethics in financial management, accountability, transparency, and wise use of resources. Public officials who adopt the tenets of the stewardship theory will be inclined to adopt efficient revenue mobilization measures, sound budgetary practices, proper accounting and monitoring processes. These measures will help improve revenue mobilization and performance in financial terms. This theory is significant in our research since it helps us understand how proper management of public funds leads to revenue growth. It encourages accountability and integrity among public officials, thus improving revenue mobilization and fiscal performance in the Nairobi City County.

Empirical Literature

The methods used in revenue mobilization have played an essential role in developing the capability of governments to ensure sufficient generation of revenues for development and provision of services. Revenue mobilization is achieved through approaches such as tax reforms, revenue diversification, partnership between the government and private entities, and innovative finance techniques geared towards revenue enhancement by the government. According to Essel (2025), the effect of revenue mobilization methods and approaches has been analyzed in relation to their impact on the performance of local governments in Ghana. Through mixed method research using surveys and interviews, it was found out that revenue mobilization approaches have a positive impact on the performance of local governments.

Similarly, Nyangito (2023) sought to establish the connection between the approaches of revenue mobilization and organizational performance in the case of Nairobi County. The study found that modern approaches for revenue mobilization, technology improvements, and capacity building activities have positive impacts on organizational performance and revenue mobilization outcomes. The study advised on investing in IT and capacity building activities to improve the process of revenue mobilization. In Somalia, Isak (2021) carried out a study on domestic revenue mobilization and came up with the finding that low capacity in the administrative sector, insecurity, political instability, and poor systems of tax administrations hinder revenue growth.

Even though the above-mentioned studies highlighted the significance of revenue mobilization practices in improving organizational financial performance, they were carried out in distinct settings. As a result, their findings may not be sufficient enough to determine how revenue mobilization practices affect revenue growth in Nairobi County. The aim of this study is to bridge this contextual gap by exploring the effect of revenue mobilization practices on revenue growth in Nairobi City County.

Budgeting procedures create a system through which the use, allocation, and control of financial resources is achieved by public agencies. Good budgeting leads to proper allocation of resources, accountability, and improved organizational performance. According to Kusimba, Cherono, and Melly (2024), budgeting processes affect financial performance of counties in Kenya. The authors found that budgeting planning, implementation, control, and auditing greatly influence the financial performance of organizations.

Similarly, Maitima and Munene (2024) discovered that the budgeting process positively affects the performance of the counties. Participatory budgeting, budget monitoring, and performance-based budgeting are some of the areas stressed by the study in improving financial performance. The studies mainly addressed issues regarding the performance of the county and financial management results rather than income generation. Moreover, the research was carried out in counties that are different socio-economically from Nairobi City County. Thus, there is still a need for researching the impact of budgeting practices on income generation in Nairobi.

Financial reporting is an essential aspect of PFM that ensures transparency, accountability, and judicious use of public funds. Good financial reporting ensures that the stakeholders have access to reliable and useful financial information that will guide decision making. Using good financial reporting systems, the government will be able to track the performance of revenues.

Kisaka & Jagongo (2021) investigated the effect of financial accountability on financial performance in the case of county governments in Kenya. Through the application of a descriptive-explanatory survey, the authors concluded that there is a positive relationship between financial accountability practices and financial performance in counties. Ndibaru & Ongwae (2023) carried out a study aimed at investigating the influence of financial accountability practices on the sustainability of donor-funded projects in Kiambu County. Financial planning, financial control, and financial monitoring were found to play an important role in the sustainability of donor-funded projects.

Moreover, Diis, Odunga, and Ayora (2024) studied financial accountability practices and sustainability of microfinance institutions in Garissa County. This study established that financial reporting, risk management, and accountability practices have a positive and significant impact on organizational sustainability. While all these studies clearly show how essential financial reporting is in enhancing financial performance and accountability, the studies did not consider the impact of financial reporting on revenue growth. Additionally, none of the studies considered the performance of Nairobi City County specifically. Thus, it sought to establish the effect of financial reporting on revenue growth in Nairobi.

Monitoring and Evaluation is an essential management instrument that helps organizations measure their performance and address problems. M&E processes help to increase accountability, optimize the use of resources, and achieve organizational goals. According to Walubengo, Kimutai, and Mbaraka (2023), the impact of M&E on optimizing revenue collection was investigated in Western Kenya. It has been found that Monitoring and Evaluation activities have a significant impact on revenue collection performance. The authors conclude that Monitoring and Evaluation leads to increased accountability and better revenue management.

Waziri and Nnko (2023) studied the effect of financial monitoring on performance of SMES in Tanzania. The results showed that monitoring systems have positive impacts on the performance of organizations by improving financial management and decision making. In Kenya, Waweru (2021) studied the effect of monitoring and evaluation on financial performance of state corporations. It revealed that there is moderate impact of M&E on financial performance and organizational efficiency. Although all the reviewed articles demonstrate that monitoring and evaluation have positive impacts on organizational performance and revenue management, they were carried out within various sectors and different geographical areas. There is therefore limited literature that discusses the impact of monitoring and evaluation on revenue generation in Nairobi City. This research aimed at bridging the gap.

METHODOLOGY

Research Design

Descriptive research design was used. The research design is regarded as most appropriate for describing features of a population, establishing relationships among variables, and giving accurate picture of the real phenomena without manipulation of the research variables. This research design was applicable in establishing the relationship between PFM practices and growth of revenues in Nairobi City County.

Target Population

This involved employees who were in the FEPD of Nairobi City County Government. Records of the Nairobi City County Public Service Board indicated that there were 486 employees in the Finance and Economic Planning Department up to June 2025. The respondents in this case included those from procurement, stores, revenue, rates, debt management, accounts, and technical services. The respondents were deemed fit since they were engaged in financial management and revenue administration activities of the county government.

Sample Size

The method of stratified random sampling was used in order to ensure that all departments were represented adequately in the Finance and Economic Planning Department. As pointed out by Mugenda and Mugenda (2013), a sample size of 10% and above is adequate for descriptive research when the population size is less than 10,000 people. The research therefore adopted a sample size of 30% from the target population. From a target population of 486 people, 146 samples were drawn proportionally across all the departments.

Instruments

The primary data were collected using the semi-structured questionnaire. This tool included both close ended and open-ended questions that aimed at collecting quantitative and qualitative data. It was composed of six major parts which addressed demographic information, revenue generation, budgeting, financial reporting, monitoring and evaluation, and growth in revenues. The secondary data were collected using the data extraction sheet in the county financial reports and associated financial documents within the period from 2020 to 2024. The validity of the instrument was established by conducting an expert review whereas its reliability was estimated using Cronbach's Alpha. The acceptable reliability coefficient was considered 0.70 and higher.

Data Analysis

Quantitative data analysis was done using SPSS version 20. Descriptive statistics like frequencies, percentages, mean, and standard deviation were used to analyze the data. A Pearson correlation was done to test the relationship between public financial management and revenue growth.

Multiple linear regression was used to find out the influence of public financial management on revenue growth. The regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \boldsymbol{\varepsilon}$$

Where:

Y = Revenue Growth

X_1 = Revenue Mobilization Practices

X_2 = Budgeting Practices

X_3 = Financial Reporting Practices

X_4 = Monitoring and Evaluation Practices

β_0 = Constant

$\beta_1 - \beta_4$ = Regression Coefficients

ε = Error Term

The model was used to establish the magnitude and direction of the effect of each public financial management practice on revenue growth in Nairobi City County.

RESULTS AND DISCUSSION

Descriptive Analysis of Revenue Mobilization Practices

Revenue mobilization practices are very important in ensuring that the county governments develop their ability to generate sufficient funds for service provision and developmental activities. This study aimed at investigating the respondents' perceptions on revenue generation strategies in Nairobi City County.

Table 1: Revenue Mobilization Practices

Statement	Mean	Std. Dev
Implementation of new tax policies has led to improved public services in Nairobi City County	4.08	0.84
I believe that tax reforms positively impact my personal economic situation	3.74	0.96
Public-private partnerships tend to create more efficient revenue mobilization strategies for Nairobi City	4.16	0.79
Public-private partnerships address the needs of underprivileged communities in Nairobi	3.89	0.91
Crowdfunding is a viable strategy for financing public projects in Nairobi	3.65	1.02
Private sector involvement in financing municipal projects leads to improved service delivery	4.21	0.76
Overall Mean/ SD	**3.96**	**0.88**

From the results in Table 1 above, it is clear that the respondents agreed that the revenue mobilization techniques are important in revenue generation in Nairobi City because the aggregate score was 3.96 while the SD was 0.88. It means that there have been the introduction of revenue mobilization techniques that help improve service delivery and overall financial performance within the county government. The low standard deviation implies that there is some level of consensus among the respondents.

The highest-ranked statement was that engagement of the private sector in the financing of projects by the municipality improves service delivery (M = 4.21, SD = 0.76). This indicates that the participants are confident that cooperation of the county government and private sectors will bring efficiency in financing and delivery of services. Likewise, the participants felt that there are efficient ways of revenue collection through partnerships in Nairobi City (M = 4.16, SD = 0.79). The findings show that partnerships of the private sector have become a key tool for revenue generation.

Respondents also agreed that adoption of new tax policies has resulted in improvement of the quality of public services provided by Nairobi City (M = 4.08, SD = 0.84). In other words, reforms of tax policies are perceived as an efficient measure for increasing the amount of revenues and improving the quality of services provided. The relatively low standard deviation means high level of agreement about the contribution of tax policy reforms to increasing the amount of revenues. It was also found that respondents agreed moderately that public-private partnership takes into account needs of the poor community in Nairobi (M = 3.89, SD = 0.91). Furthermore, respondents agreed that reforms of tax policies positively influence their own economic well-being (M = 3.74, SD = 0.96). Despite the relatively low mean ratings compared to the others, these statements also demonstrate positive attitude towards the benefits of the revenue mobilization measures. The findings show that even though the respondents recognize the importance of revenue mobilization strategies, there are still some reservations about their socio-economic impacts on individuals and vulnerable groups.

The least rated statement is that crowdfunding could be a useful approach in raising funds for public projects in Nairobi (M = 3.65, SD = 1.02). Despite the respondents supporting the statement, the fairly low average score together with high standard deviation suggest varied views about the feasibility of using crowdfunding as an alternate form of funding public works. This might imply little knowledge or experience on the part of the respondents concerning the application of crowdfunding in the context of public sector financing systems. From the above analysis, it is clear that revenue mobilization techniques have positive perception and are key contributors to revenue generation in Nairobi City County. Proper implementation of tax reforms, PPPs and innovative funding approaches helps enhance the capability of revenue generation.

Findings are consistent with the findings of Essel (2025), who discovered that good revenue mobilization approaches and methods have a positive impact on the performance of local governments. These findings are also in line with the findings of Nyangito (2023), who found that the use of new revenue mobilization approaches, technology, and capacity building improve revenue performance. Likewise, findings are in agreement with the findings of Wujung and Aziseh (2023), who found that resource mobilization positively contributes to financial performance and growth.

Descriptive Analysis of Budgeting Practices

Budgeting processes help in the allocation of resources, prioritization of spending, and evaluation of financial performance. Budgeting helps in increasing accountability, effective use of resources, and achievement of organizational goals. The purpose of this study was to examine respondents' perceptions on budgeting practices in Nairobi City County.

Table 2: Budgeting Practices

Statement	Mean	Std. Dev
Zero-based budgeting will empower county officials to make better financial decisions	4.12	0.81
I believe that zero-based budgeting helps in identifying non-essential expenditures	4.18	0.78
Performance-based budgeting leads to better identification of local needs and priorities	4.09	0.85
The outcomes of performance-based budgeting initiatives are effectively communicated to the community	3.72	0.98
Participatory budgeting has improved the transparency of public spending in Nairobi City County	4.05	0.87
I believe that involving citizens in budget decisions leads to more effective allocation of resources	4.26	0.74
Overall Mean/ SD	**4.07**	**0.84**

Table 2 findings have revealed that respondents strongly agree that budgeting practices have a positive impact on revenue generation in Nairobi City County, based on the aggregate mean score of 4.07 and standard deviation of 0.84. Budgeting practices have been found to be important tools for ensuring efficiency and accountability in budgeting. Respondents strongly agreed that budgeting practices have a positive impact on revenue generation in Nairobi City County, based on the aggregate mean score of 4.07 and standard deviation of 0.84. Findings have shown the highest ranked statement to be the one that states that citizen participation in budgeting enhances resource allocation (M=4.26, SD=0.74). These findings reveal that there is significant support for citizen participation in budgeting and that budgeting practices help identify unnecessary expenditures (M=4.18, SD=0.78).

In addition, it was confirmed that zero based budgeting enables county executives to make good budgetary decisions (M = 4.12, SD = 0.81), and that performance-based budgeting helps in identifying needs and priorities at the local level (M = 4.09, SD = 0.85). It can be deduced from the above data that budgeting process helps in allocating resources effectively and achieving development goals. The least rated statement was that results of performance-based budgeting exercises are well communicated to the community (M = 3.72, SD = 0.98). Although respondents agreed with the statement, the relatively low mean value indicates that communication of budgeting results is an area that requires improvement. In summary, the above research findings suggest that budgeting processes are important in ensuring accountability, transparency, and proper use of resources in Nairobi City County. Budgeting processes are thus likely to make an important contribution towards revenue generation and financial sustainability.

The above findings agree with the findings of Kusimba, Cherono, and Melly (2024), who established that budgeting processes have an important influence on financial performance within county governments. The above findings are also consistent with the findings of Maitima and Munene (2024), who established that budgeting practices positively influence financial performance.

Descriptive Analysis of Financial Reporting Practices

Effective financial reporting is very important in fostering transparency, accountability, and responsible management of public resources. Good financial reporting guarantees accuracy, reliability, and timely financial reporting based on the relevant reporting standards. The research aimed at assessing the perceptions of respondents on the financial reporting practices in Nairobi City County.

Table 3: Descriptive Statistics of Financial Reporting Practices

Statement	Mean	Std. Dev
Financial reports are prepared and submitted within the required timelines	4.08	0.86
Financial reports produced by the county are accurate and reliable	4.14	0.82
Compliance with financial reporting standards enhances accountability	4.23	0.75
Financial reporting promotes transparency in management of public resources	4.17	0.80
Financial reports provide useful information for decision-making	4.11	0.84
Regular financial reporting improves public confidence in county operations	4.19	0.78
Overall Mean/ SD	**4.15**	**0.81**

From the findings presented in Table 3 above, it is clear that most respondents felt that financial reporting contributes positively towards revenue growth in Nairobi City. As observed from the findings, the aggregated mean score of this research is 4.15 with a SD of 0.81. The findings imply that the adoption of sound financial reporting leads to transparency and accountability, hence improving financial performance. The statement that received the highest rank in the survey is that financial reporting standards improve accountability (M = 4.23, SD = 0.75). The finding implies that most respondents believed that the adoption of financial reporting standards improves accountability in managing finances in the county government.

Similarly, the respondents agreed that frequent financial reporting increases public trust in the workings of the county (M = 4.19, SD = 0.78) and that financial reporting ensures transparency in managing public assets (M = 4.17, SD = 0.80). These results imply that transparency, which is made possible by effective reporting, increases trust and increases the legitimacy of the operations of the government. The results further show that the respondents agreed that the financial reports that are generated by the county are reliable (M = 4.14, SD = 0.82) and that the financial reports offer valuable information for decision making (M = 4.11, SD = 0.84). It means that financial reporting is an important tool for guiding resource allocation decisions.

It is also observed that the respondents agreed that the financial reports were being generated on time as per requirements (M = 4.08, SD = 0.86). While this particular point got the least mean score among all the financial reporting dimensions, it is still indicative of positive views about the timeliness of reporting in the county government. In general, the results show that there is a perception that financial reporting can help to enhance accountability, transparency, and decision making, which further helps in effective financial management and finally helps in raising revenues for the county.

The results agree with those of Kisaka and Jagongo (2021), which reveal that financial accountability is important in improving the financial performance of the county governments in Kenya. Likewise, the results agree with those of Ndibaru and Ongwae (2023), which show that financial accountability plays an essential role in ensuring organizational sustainability. Moreover, the results also agree with those of Diis, Odunga, and Ayora (2024), which reveal that financial reporting has an influence on institutional sustainability and performance.

Descriptive Analysis of Monitoring and Evaluation Practices

The process of M&E enables organizations to make assessments concerning performance, compliance, risk management, and accountability. Good monitoring and evaluation processes allow for effective decision-making and improved financial performance. This research was conducted with the aim of identifying the perceptions that the respondents had about the monitoring and evaluation practices in Nairobi City County.

Table 4: Descriptive Statistics of Monitoring and Evaluation Practices

Statement	Mean	Std. Dev
Internal control systems enhance accountability in revenue management	4.20	0.77
Compliance checks help improve revenue collection efficiency	4.15	0.82
Risk management practices contribute to effective financial management	4.12	0.84
Monitoring activities assist in identifying weaknesses in revenue systems	4.18	0.79
Evaluation findings are used to improve financial management processes	4.07	0.87
Monitoring and evaluation frameworks support achievement of revenue targets	4.23	0.75
Overall Mean/ SD	**4.16**	**0.81**

Results in Table 4 show that respondents believed that monitoring and evaluation activities have positive effects on the growth of revenues in Nairobi City County. It is evident from the aggregate M value of 4.16 and SD of 0.81 for the items under study. The most supported statement is that the frameworks help in the attainment of revenue goals (M = 4.23, SD = 0.75). It is an indication that respondents highly supported the statement that the frameworks help in the growth of revenues due to effective monitoring mechanisms.

The respondents also agree that internal control systems increase accountability in revenue management (M = 4.20, SD = 0.77), and monitoring helps in spotting weak areas in the revenue system (M = 4.18, SD = 0.79). This shows that monitoring plays an important role in the continuous improvement process for financial control within the county government. On the other hand, the respondents also agreed that compliance increases efficiency in revenue management (M = 4.15, SD = 0.82), and risk management practices play an important role in financial management (M = 4.12, SD = 0.84). This shows that monitoring and evaluation practices help in mitigating risks.

This was the least rated statement regarding the use of findings from the evaluations to improve the financial management processes (M = 4.07, SD = 0.87). Even though the statement was largely accepted by most of the respondents, the slightly low mean implies that there might still be some room left for the improvement in the utilization of evaluation findings during decision making process. In summary, the results indicate that monitoring and evaluation processes are key mechanisms through which accountability, internal control and financial risk management are ensured. This means that such systems will positively contribute towards revenue growth in Nairobi City.

The results are in agreement with those presented by Walubengo, Kimutai, and Mbaraka (2023), which indicate that monitoring and evaluation have a huge impact on the performance of revenue generation. The results have further been validated by Waziri and Nnko (2023), which revealed that financial monitoring has a positive impact on organizational performance. The results have also been affirmed by those provided by Waweru (2021).

Correlation Analysis

The analysis was performed to assess the existence of any relationship between the practice of public financial management and the growth in revenue in Nairobi City County. The analysis looked at the relationship between revenue mobilization practice, budgeting practice, financial reporting practice, monitoring and evaluation practice, and revenue growth.

Table 5: Correlation Analysis

Variables	1	2	3	4	5
1. Revenue Mobilization Practices	1				
2. Budgeting Practices	.419**	1			
3. Financial Reporting Practices	.310**	.325**	1		
4. Monitoring and Evaluation Practices	.131**	.223**	.126**	1	
5. Revenue Growth	.613**	.623**	.547**	.666**	1

From the findings, it is evident that a strong positive and statistically significant relationship between the revenue mobilization practices and revenue growth ($r = 0.612$, $p < 0.001$) exist. This implies that the reforms in tax system, public-private partnerships and financing techniques lead to greater revenue growth in Nairobi city county. The positive relationship also implies that there is an improvement in financial performance as a result of efficient revenue mobilization practices. In addition, the findings reveal that there is a strong positive and statistically significant relationship between the budgeting practices and revenue growth ($r = 0.684$, $p < 0.001$). This was the highest correlation of all the independent variables. It means that effective budgeting practices such as zero base budgeting, performance budgeting and participatory budgeting improve revenue growth.

Financial reporting was also discovered to have a strong positive correlation with revenue growth ($r = 0.641$, $p < 0.001$). The results show that timeliness of reporting, accuracy of data, and compliance with financial reporting standards increase revenues. Good Financial Reporting increases responsibility and builds public trust towards the financial management of counties. Monitoring and evaluation was also discovered to have a strong positive correlation with revenue growth ($r = 0.659$, $p < 0.001$). The results show that good internal controls, compliance checking, risk management, and performance monitoring increase efficiency of financial management.

Generally, the correlation analysis indicates that all public financial management practices analyzed in this research are positively correlated with revenue increase in Nairobi City County. The results suggest that improving the practice will lead to an improvement in revenue generation and financial sustainability.

The results corroborate the findings by Essel (2025), where it is established that proper revenue mobilization strategies positively impact the performance of local governments. This is so with the findings by Kusimba et al., (2024), where it was shown that budgeting procedures have an important impact on financial performance. In addition, the results coincide with the findings by Kisaka and Jagongo (2021) and Walubengo et al. (2023), where there were positive relationships established between financial management practices and organizational performance.

Regression Analysis

The analysis was done to establish how public FMP impact the revenue growth of Nairobi City County.

Model Summary

The model summary presents the extent to which public financial management practices explain variations in revenue growth.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.821	0.674	0.662	0.483

From the findings above, it can be concluded that the value of coefficient of determination, $R^2 = 0.674$. This means that practices in public financial management account for 67.4% of the variation in revenue growth in

Nairobi City. With an adjusted R^2 value of 0.662, it means that once adjusted for the number of predictors in the model, 66.2% of the variation in revenue growth is accounted for by the independent variables. Thus, it can be seen from the findings that the practices of revenue mobilization, budgeting, financial reporting, and monitoring and evaluation altogether contribute significantly in terms of explaining revenue growth. Nevertheless, 32.6% of the variation in revenue growth is contributed by other factors not incorporated in the model. With a relatively high R^2 value, it means that the regression model fits well and can be used to predict revenue growth in Nairobi City County.

Analysis of Variance

The ANOVA test was conducted to determine whether the regression model was statistically significant.

Table 7: ANOVA Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	56.842	4	14.211	60.873	0.000
Residual	27.487	115	0.239		
Total	84.329	119			

The ANOVA shows a statistical significance of the model ($F = 60.873$, $p< 0.001$). From these statistics, hence there is a significant relationship between the independent variables and revenue growth. Because the level of significance is below 0.05, it means that the regression model used in this study is statistically significant in analyzing the impact of public financial management practices on revenue growth in Nairobi City County. This shows that at least one of the IVs has a statistically significant prediction of revenue growth.

Regression Coefficients

The regression coefficients were analyzed to measure the individual impact of each of the public financial management practices on revenue growth.

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.338	.332		-10.039	.000
	Revenue Mobilization Practices	.217	.108	.184	2.016	.046
	Budgeting Practices	.357	.121	.306	2.939	.004
	Financial Reporting Practices	.321	.068	.300	4.721	.020
	Monitoring & Evaluation Practices	.311	.113	.281	2.749	.007

The regression equation was therefore:

$Y = 0.271 + 0.184X_1 + 0.306X_2 + 0.300X_3 + 0.281X_4$

Where:

Y = Revenue Growth

X_1 = Revenue Mobilization Practices

X_2 = Budgeting Practices

X_3 = Financial Reporting Practices

X_4 = Monitoring and Evaluation Practices

From the findings, revenue mobilization techniques had a positive and significant impact on revenue growth ($\beta = 0.184$, $p = 0.046$). From the findings, it can be concluded that a one-unit improvement in revenue mobilization techniques increases revenue growth by 0.184 units. From the results, it is clear that tax reforms, public-private partnerships, and innovative finance mechanisms have positive impacts on revenue growth. Regarding budgeting practices, the results showed that budgeting practices had a positive and significant impact on revenue growth ($\beta = 0.306$, $p = 0.004$). Budgeting practices came out as the most powerful predictor of revenue growth. From the findings, it can be concluded that a one-unit improvement in budgeting practices increases revenue growth by 0.306 units.

The same applies for financial reporting practice since it significantly influenced revenue growth ($\beta = 0.300$, $p = 0.020$). In this regard, the findings show that transparency, accountability and adherence to financial reporting standards are key in enhancing revenue growth. In addition, the findings showed that monitoring and evaluation practice was significantly influencing revenue growth ($\beta = 0.281$, $p = 0.007$). The findings demonstrate that effective monitoring and evaluation systems play a significant role in financial management and revenue growth. Generally, the findings show that all four public financial management practices significantly affect revenue growth in Nairobi City County.

Summary of Findings

The objective of the study was to evaluate the impact of public financial management practices on revenue growth in Nairobi City, Kenya. More specifically, the objective was to analyze the impact of revenue generation practices, budgeting practices, financial reporting practices, and monitoring & evaluation practices on revenue growth. The results of the descriptive statistics, correlation, and regression analyses are presented as follows:

Objective number one was to investigate the influence of revenue mobilization practices on revenue growth in Nairobi City. It was clear that the respondents agreed with the idea that revenue mobilization practices positively affect revenue growth based on the mean value of 3.96 and the SD value of 0.88. The highly rated statements were about the involvement of the private sector in financing the projects of the municipality and the importance of public-private partnerships in revenue mobilization. From the correlation analysis, there was a positive and statistically significant correlation between revenue mobilization practices and revenue growth ($r = 0.612$, $p<0.001$). Regression findings showed that revenue mobilization practices have a positive and statistically significant influence on revenue growth ($\beta=0.184$, $p=0.046$). From the findings above, it is evident that improvements in tax reforms, public-private partnerships, and financing practices positively influence revenue growth in Nairobi City County.

Objective two was aimed at assessing budgeting practices on revenue growth in Nairobi city. Descriptive statistics indicated that respondents largely had a positive view of the impact of budgeting practices on revenue growth, indicated by the aggregate score of 4.07 with an SD of 0.84. It is evident from the findings that respondents largely believed that citizen participation in budgeting ensures effective utilization of resources and that zero-based budgeting identifies unnecessary expenses. Correlation statistics indicated a positive relationship between budgeting practices and revenue growth ($r = 0.684$, $p < 0.001$). Regression analysis proved that budgeting practices have a positive and significant impact on revenue growth ($\beta = 0.306$, $p = 0.004$). Budgeting practices were found to be the best predictors of revenue growth. From the findings, it can be noted that good budgeting practices lead to proper resource allocation and improved financial performance.

The third objective was aimed at analyzing the impact of financial reporting practices on revenue growth in Nairobi City County. According to descriptive statistics, it can be seen that the respondents were in agreement that financial reporting practices have a positive contribution towards revenue growth since there was an overall mean score of 4.15 and a SD of 0.81. The respondents felt that financial reporting practices such as adherence to accounting principles, transparency, and accountability enhance financial performance. The correlations revealed that there exists a strong and statistically significant positive relationship between financial reporting practices and revenue growth ($r = 0.641$, $p < 0.001$).Also from regression analysis, it can be observed that financial reporting practices have a positive and significant impact on revenue growth ($\beta = 0.300$, $p = 0.020$).The findings suggest that timely, accurate, and reliable financial reporting strengthens accountability, enhances stakeholder confidence, and supports effective financial management.

Objective four was aimed at examining the impact of M&E on revenue growth in Nairobi City. The descriptive analysis showed that there is general agreement among the participants that the monitoring and evaluation have a positive impact on the growth in revenues since the aggregate mean was 4.16 with a SD of 0.81. The participants were in agreement that the monitoring and evaluation systems help achieve the set revenue objectives and improve accountability in revenue management. There is a positive and statistically significant correlation between M&E practices and revenue growth ($r = 0.659$, $p < 0.001$). The regression analysis shows that there is a positive and statistically significant impact of monitoring and evaluation practices on revenue growth ($\beta = 0.281$, $p = 0.007$). Outcomes suggest that effective monitoring systems, compliance, risk management, and internal controls increase the efficiency of revenue management.

CONCLUSION AND RECOMMENDATIONS

The study concludes that practices of public financial management are key determinants of revenue growth in Nairobi City County. From the results presented above, it can be observed that revenue mobilization practices, budgeting practices, financial reporting practices, and monitoring and evaluation practices all positively affect revenue growth and are statistically significant. The study concludes that good revenue mobilization practices improve the ability of the county government to raise adequate revenue through proper tax systems, private-public collaborations, and novel financial strategies. It is therefore imperative to enhance such practices for revenue generation. The study concludes that budgeting practices are the main determinant of revenue growth. Good budgeting practices enable proper resource allocation, financial discipline, accountability, and attainment of revenue targets. Therefore, budgeting plays a pivotal role in enhancing fiscal sustainability and financial performance.

From the results, it can be inferred that financial reporting plays an important role in the growth of revenues through transparency, accountability and better decision making. Good financial reporting builds confidence among stakeholders and ensures prudent management of public finances.The research shows that monitoring and evaluation practices play an important role in revenue performance. Good monitoring systems, internal control systems and compliance and risk management strategies help build better accountability and efficiency. In summary, the research concludes that improvements in public financial management practices are important for revenue growth, accountability and financial sustainability in Nairobi City County.

The following recommendations are made: County Government of Nairobi should enhance its revenue generation mechanism by engaging in the continuous review of tax policies, expansion of sources of revenue, and the improvement of public-private partnerships. The county should also come up with innovative funding sources and revenue generation systems to boost revenue collection. The county government should institutionalize performance-based budgeting, participatory budgeting, and zero-based budgeting. The participation of stakeholders in budgetary processes should be encouraged in order to achieve the development goals of the county.

Financial report frameworks need improvement through the timely production of financial reports and improved mechanisms for financial reporting. Investments in contemporary financial management information systems are required to improve the accuracy and reliability of the available financial information. Monitoring and evaluation frameworks require improvement through the improvement of internal control frameworks and risk management practices. The results of the monitoring and evaluation should be used for decision making to improve financial performance and achieve the revenue targets.

Recommendations for Further Research

It would be important for future researches to consider other variables that could be affecting the increase in revenue but which were left out from the current study, considering that public financial management accounted for 67.4% of the variability in revenue growth. In addition, future research may also conduct the same study in other county governments in order to conduct comparison and generalize the results obtained. Lastly, longitudinal studies may be undertaken to assess the long-term effect of PFM changes on revenue growth.

REFERENCES

Alas, R. (2023). *Reactions to organizational change from the institutional perspective: The case of Estonia. Problems and Perspectives in Management, 5*(3), 19–30.

Denison, D. V., Yan, W., & Butler, J. S. (2024). *Managing risk and growth of nonprofit revenue*. *Journal of Public and Nonprofit Affairs, 5*(1), 56–73.

Diis, A. S., Odunga, R., & Ayora, J. (2024). Effect of financial accountability practices on financial sustainability of microfinance institutions in Garissa County, Kenya. *International Journal of Finance, 9*(3), 62–82.

Dubat, I., & Minja, D. (2020). Effect of financial management practices on performance of county governments in Kenya: A case of Garissa County government, Kenya. *The International Journal of Humanities & Social Studies, 8*(11), 43–56.

Essel, R. E. (2025). Revenue mobilization channels and strategies and local government performance in Ghana: Implications for fiscal sustainability of the North Tongu District Assembly. *Journal of Contemporary Business Research, 1*(1), 56–75.

Gebretsadik, G. A. (2024). *Effective revenue growth strategies for nonprofit organizations* (Doctoral dissertation, Walden University).

Hood, C. (1991). A public management for all seasons? *Public Administration, 69*(1), 3–19.

Isak, N. N. (2021). Challenges of domestic revenue mobilization in Somalia. *International Journal of Economics, Commerce and Management, 6*(9), 172–181.

Javid, A. Y., & Arif, U. (2012). Analysis of revenue potential and revenue effort in developing Asian countries. *The Pakistan Development Review, 51*(4), 365–379.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.

Jiao, L., Harrison, G., & Chen, J. (2023). Revenue growth in not-for-profit organisations: The effects of interactive and diagnostic controls and organisational culture. *Accounting & Finance, 63*(2), 2273–2294.

Kenya Institute for Public Policy Research and Analysis. (2024). *Kenya economic report 2024: Transforming urban infrastructure for sustainable growth*. KIPPRA.

Kisaka, V. N., & Jagongo, A. (2021). Financial accountability and financial performance of county governments in Kenya. *The International Journal of Business & Management, 9*(8).

Kusimba, B. N., Cherono, I., & Melly, P. T. (2024). Effect of budgetary processes on the performance of county governments under the Western Region Economic Bloc, Kenya. *International Academic Journal of Economics and Finance, 4*(3), 28–51.

Macharia, K. A., Oluoch, D. O., & Ncabira, D. M. (2021). Factors affecting revenue growth by county governments in Kenya. *Account and Financial Management Journal, 6*(11), 2557–2565.

Maitima, J. K., & Munene, R. (2024). Impact of budgeting practices on financial performance in the County Government of Meru, Kenya. *International Journal of Advanced Business Studies, 3*(2), 42–52.

Mong'are, W. B. (2023). *Public financial management practices and performance of selected county governments in Kenya* (Doctoral dissertation, Kenyatta University).

Mugenda, O. M., & Mugenda, A. G. (2013). *Research methods: Quantitative and qualitative approaches*. Acts Press.

Mumbi, W. S. (2021). *The effect of public finance management practices on the performance of county governments in Kenya: The case study of County Government of Laikipia for the period 2016 to 2020* (Master's project, United States International University–Africa).

Mwambuli, E. L., & Chilongani, E. (2024). Tax revenue and economic growth: The role of public financial management. *African Development Finance Journal, 7*(4), 107–131.

Nairobi City County Government. (2024). *Nairobi City County financial report 2023/2024*. Nairobi City County Government.

Nairobi City County Government. (2025). *Nairobi City County annual report 2025*. Nairobi City County Government.

National Treasury. (2025). *Municipal financial management and fiscal sustainability framework*. Government of South Africa.

Ndibaru, J. G., & Ongwae, G. J. (2023). Financial accountability practices and financial sustainability of donor-funded projects in Kiambu County, Kenya. *International Academic Journal of Economics and Finance, 3*(10), 26–82.

Nguyu, P. N. (2024). *Strategy evaluation and organizational performance of the Kenya Revenue Authority* (Doctoral dissertation, University of Nairobi).

Nyangito, O. C. (2023). *Effect of revenue mobilization practices on organizational performance of Nairobi County, Kenya* (Doctoral dissertation, Kisii University).

Olaoye, F. O., & Olaniyan, O. N. (2020). Public sector financial management and economic growth. *International Journal of Economics & Business, 3*(1), 56–65.

Penrose, E. T. (1959). *The theory of the growth of the firm*. Basil Blackwell.

Walubengo, I. S., Kimutai, G., & Mbaraka, R. (2023). Effect of monitoring and evaluation in optimization of revenue collection in county governments of Western Kenya. *The Strategic Journal of Business & Change Management, 10*(1), 204–218.

Walshe, K., Harvey, G., Hyde, P., & Pandit, N. (2020). Organizational failure and turnaround: Lessons for public services from the for-profit sector. *Public Money & Management, 24*(4), 201–208.

Waweru, C. N. (2021). Influence of monitoring and evaluation on the financial performance of state corporations in Kenya. *International Journal of Scientific Research and Engineering Development, 4*(2), 144–152.

Waziri, A., & Nnko, E. (2023). The influence of financial monitoring on the performance of small and medium enterprises in Tanzania: A case of Arusha City Council. *International Journal of Small Business and Entrepreneurship Research, 11*(2), 1–11.

Wujung, V. A., & Aziseh, F. I. (2023). Assessing the effect of domestic resource mobilization on the economic growth of Cameroon. *Aestimatio: The IEB International Journal of Finance, 12*, 66–89.