

PUBLIC FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL SUSTAINABILITY OF NAROK COUNTY GOVERNMENT, KENYA

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Abstract: This study aimed to investigate Public Financial Management practices on financial sustainability of Narok County Government, Kenya. The specific objectives included testing the effect of financial planning, revenue mobilization, financial reporting, and internal control. Fiscal Sociology, Agency, Stewardship and Institutional Theories were used to anchor the study. The target population comprises 76 respondents, including Finance and Economic Development department, employees, a County Executive Committee Member in charge of Finance and Economic Planning, Chief officer for Finance and Economic Planning and eight director. For representative sampling was obtained by random stratification to include 62 participants based on established statistical methods. Data collection was by questionnaires and secondary sources. Using SPSS, data underwent descriptive statistics and multiple regression analysis, adhering to ethical standards throughout the research process. The study established that financial planning, Resource mobilization, financial reporting and internal control positively and significantly influenced Financial Sustainability. The study concludes that proper financial planning assists the County in allocating resources in an effective manner making sure that money is geared towards the most needed areas like in the health, education and infrastructure sectors. Proper resource mobilization enables the County in diversifying its sources of funds minimizing dependence on one way of generating income. Effective financial reporting promotes transparency with the County's operations making stakeholder have a clearer perspective of the County's financial health. Proper implementation of internal control systems makes the County be transparent and accountable it its financial operations preventing fraud and misappropriation of County's resources thus protecting the public funds. It was recommended that a complete system for managing county finances that is in line with its strategic objectives to ensure that the financial activities back long term sustainability be developed. The County should develop an all-encompassing structure for allocating resource by prioritizing resources. The study recommends that County should develop a comprehensive risk management framework to identify and mitigate financial risks within Narok County.

Keywords: Financial Sustainability, Financial Planning, Revenue Mobilization, Financial Reporting, Public Financial Management, Internal Control.

1. INTRODUCTION

1.1 Introduction

Public sector financial sustainability is government or public entity capacity to cover its obligations while ensuring long-term viability. Effective public financial management (PFM) is vital in ensuring financial sustainability by optimizing resource allocation, minimizing fiscal imbalances and promoting responsible debt management. Research accentuates that strong PFM systems not only improve financial stability but also enhance public service delivery and drive sustainable development (Kirui et al., 2021; Ndegwa, 2022; World Bank, 2020).

However, financial sustainability has become increasingly challenging due to growing public demand for transparency and accountability, alongside COVID-19 pandemic lasting economic effects (Ogallo, 2021; IMF, 2020). Governments worldwide have faced heightened scrutiny over financial stability, particularly as rising debt levels threaten long-term fiscal health. In 2020, global public debt reached record highs, sparking concerns about sustainability (World Bank, 2021). IMF (2021) further highlighted that many nations are struggling with budget deficits and rising expenditures on essential services, necessitating comprehensive PFM reforms. Recognizing these issues, UN's Sustainable Development Goals (SDGs) emphasize need for stronger financial management practices across public institutions (World Bank, 2021; IMF, 2021; United Nations, 2020).

In Africa, fiscal sustainability remains a pressing issue, with inefficient financial systems and governance structures hampering economic stability (Okech et al., 2022; AfDB, 2021; World Bank, 2021). Many governments grapple with mounting debt, which restricts their ability to provide essential services. In Sub-Saharan Africa, public debt surged beyond 60% of GDP in 2020, increasing reliance on external loans and donor funding (AfDB, 2021; Okech et al., 2022). Nevertheless, regional initiatives like the African Continental Free Trade Area (AfCFTA) have been instrumental in promoting fiscal sustainability through strengthened trade and financial collaboration (World Bank, 2021; AfDB, 2021).

Despite ongoing PFM reforms, East African nations continue to face financial sustainability challenges. Rising public debt, limited domestic revenue generation and governance inefficiencies pose significant risks (Mwangi, 2021; UNDP, 2022; World Bank, 2022). Uganda's public debt exceeded 50% of GDP in 2021, fueling concerns about fiscal stability (Mwangi, 2021; UNDP, 2022). Similarly, Kenya's increasing fiscal deficit and dependence on external borrowing have heightened financial risks, particularly in COVID-19 aftermath (Ndegwa, 2022; Mwangi, 2021; World Bank, 2022).

At the Kenyan county level, financial sustainability remains a critical challenge, especially following devolution. Many counties struggle to generate sufficient own-source revenue, relying heavily on national government transfers (Omondi, 2021; CRA, 2022; Njoroge & Kariuki, 2022). Weak financial management systems contribute to fiscal imbalances, affecting service delivery (Omondi, 2021). Counties such as Turkana and Mombasa have experienced substantial revenue deficits, underscoring stronger governance and financial planning urgency (CRA, 2022; Omondi, 2021). To address these concerns, Kenya National Treasury has stressed fiscal discipline and transparent financial practices vitality to sustain long-term stability (Njoroge & Kariuki, 2022; CRA, 2022).

1.1.1 Financial Sustainability

This is an organization's capacity to maintain long-term operations, covering recurring expenses and financial obligations without relying heavily on external donors. Research underscores its eminence in organizational performance, allowing institutions to focus on their core missions while minimizing dependence on outside funding (Mwangi & Muturi, 2021; Tania et al., 2022; Wanyonyi & Kipkoech, 2023). Achieving this stability requires strategic financial planning, effective revenue management and organization's mission strengthening initiatives prioritization. Those that succeed in financial sustainability can fund their activities through diverse income streams, reducing external stakeholders influence (Mugambi et al., 2020). Despite these advantages, many organizations continue to rely on donor funding, which limits their growth and long-term financial stability.

Different studies define financial sustainability based on sector-specific considerations. For instance, Mutuku et al. (2021) examined non-profit organizations and highlighted vitality of diversifying funding sources and maintaining steady cash flows. Similarly, Mwangi and Ndichu (2022) explored financial sustainability in public institutions, emphasizing revenue generation and reduced dependency on intergovernmental transfers. Tania et al. (2022) focused on educational institutions, measuring financial sustainability through financial planning, resource allocation and internal revenue generation strategies to ensure long-term viability.

In county governments, financial sustainability is crucial given their resource limitations and funding dependencies. Key indicators include own-source revenue generation, efficient expenditure management and fiscal autonomy (Wanyonyi & Kipkoech, 2023; Mwangi & Muturi, 2021; Ndung'u, 2020). Counties that successfully generate their own revenue are better equipped to meet service delivery demands, manage expenditures effectively and achieve financial independence. Additionally, transparent budgeting, strong financial management and long-term planning are essential in maintaining fiscal stability (Kiprotich & Kiplagat, 2021).

This review zeroes on own-source revenue generation as the key indicator of financial sustainability for Narok County. Prioritizing internal revenue mobilization strengthens county's financial autonomy, reducing reliance on national government transfers and improving service delivery (Mwangi & Muturi, 2021; Mutuku et al., 2021; Kiprotich & Kiplagat, 2021). By highlighting own-source revenue, this examination endeavors to demonstrate its impact on county-level financial independence and sustainability.

1.1.2 Public Financial Management Practices (PFM)

These are systems, policies and processes that governments use to manage public resources effectively, ensuring transparency, accountability and long-term financial stability. Strong PFM practices are eminent in good governance, curbing corruption and improving service delivery by ensuring public funds responsible handling (Mutua & Kimutai, 2021; Kiarie et al., 2022; Njenga & Waweru, 2023). At its core, PFM involves financial planning, revenue generation, financial reporting and internal controls all which help governments align their budgets with development goals while maintaining fiscal discipline and economic stability. When these mechanisms work seamlessly, they enhance accountability and promote sustainable financial management.

Studies have applied PFM principles in various ways depending on the sector. For instance, Mwangi and Ndichu examined PFM in Kenyan county governments, highlighting how financial planning and internal controls influence service delivery and sustainability. Kiarie et al. (2022) explored its role in public health, where budgeting, revenue mobilization and transparent reporting were crucial. Similarly, Njenga and Waweru (2022) ascertained how PFM practices influence education projects, emphasizing strong internal oversight and financial transparency to ensure proper resource allocation. In the context of county governments, PFM practices indicators typically include financial planning, revenue mobilization, financial reporting and internal control mechanisms and are looked into in the preceding parts (Mutua & Kimutai, 2021; Mwangi & Ndichu, 2022; Njenga & Waweru, 2023).

For county governments, financial planning is essential in shaping budgets, forecasting future financial needs and aligning expenditures with developmental priorities. Counties with solid financial planning strategies allocate resources effectively, ensuring efficient service delivery while maintaining fiscal discipline (Kiarie et al., 2022). Revenue mobilization is another critical element, as counties must generate funds through taxes, fees and other income sources to reduce reliance on national government transfers. By diversifying revenue streams, counties can ease financial pressure and strengthen their autonomy (Mutua & Kimutai, 2021; Mwangi & Ndichu, 2022).

Financial reporting is the backbone of transparency and accountability, ensuring that government entities provide accurate and timely records of their income and expenditures. These reports enhance trust, aid decision-making, and help prevent financial mismanagement. Adhering to rigorous financial reporting standards allows counties to demonstrate responsible governance and maintain public confidence (Njenga & Waweru, 2023). Meanwhile, internal control mechanisms safeguard public funds by enforcing financial regulations, preventing fraud and minimizing errors. Counties that invest in robust internal controls through audits, procurement regulations and oversight mechanisms, can reduce risks and improve overall financial management (Mutua & Kimutai, 2021).

By reinforcing these practices, county governments can enhance financial sustainability and ensure that public funds are used wisely to support development and service delivery. Effective financial planning, strong revenue strategies, transparent reporting and stringent internal controls collectively create a framework for responsible financial governance, allowing counties to remain fiscally stable and operationally efficient.

1.1.3 Financial sustainability in Narok County

Narok County, located in Kenya's Rift Valley region, is known for its vast landscapes and rich cultural heritage. It is home to globally acclaimed wildlife terminus, Maasai Mara National Reserve, which significantly contributes to the county's economy through tourism. Covering an area of approximately 17,921 square kilometers, the county is largely inhabited by the Maasai community, whose traditional pastoral lifestyle still thrives. Agriculture, livestock farming, and tourism are the key economic activities in Narok. Despite its abundant natural resources, Narok County faces challenges in infrastructure development and financial management, particularly in collecting its Own Source Revenue (OSR), which has hindered its economic growth and service delivery (Kenya National Bureau of Statistics, 2022; Office of the Auditor-General, 2023).

Narok County has consistently faced challenges in collecting Own Source Revenue (OSR), placing it among the counties with significant revenue collection shortfalls. In the financial year 2022/2023, Narok County budgeted to collect Kshs. 4.52

billion in OSR but only managed to collect Kshs. 3.07 billion, resulting in a shortfall of approximately Kshs. 1.45 billion, or 32%. This substantial gap reflects inefficiencies in revenue collection mechanisms and possible issues in financial management practices within the county. Narok's underperformance in revenue collection is part of a broader issue, as counties across Kenya struggle to meet their OSR targets, but the county's 32% deficit is among the most pronounced, demonstrating the need for enhanced fiscal policies and improved administrative capacity to optimize revenue collection (Office of the Auditor-General, 2023; World Bank, 2022).

The poor performance in OSR collection has impacted Narok County's financial sustainability and its ability to fund development projects. The county's revenue collection deficit highlights systemic issues in budgeting and fiscal oversight, which not only hampers Narok's ability to meet its financial obligations but also contributes to underfunding critical sectors like healthcare, infrastructure, and education. Despite its potential for revenue generation from sources like tourism, particularly through the Maasai Mara, the county has failed to leverage these opportunities effectively, as evidenced by its persistent shortfall (Transparency International, 2021; Controller of Budget, 2022).

OAG report on Narok County highlights several key issues impacting the county's financial sustainability, particularly in the collection and management of Own Source Revenue (OSR). One of the significant concerns is the non-preparation of Revenue Arrears statement as at 30 June 2023, which contravenes Public Sector Accounting Standards Board (PSASB) guidelines. Additionally, a significant and unexplained decline in revenue collection from ten out of fifteen revenue sources was noted, showing a 41% drop compared to the previous year. This underperformance raises concerns about the accuracy of the reported OSR figures, further complicated by unsupported revenue amounts in cess, parking, and market fees, undermining the reliability of the county's financial statements (Office of the Auditor General, 2023; World Bank, 2022).

Another major issue is the inaccurate reporting of hospital fees, where a discrepancy of Kshs.61 million was noted between actual collections and the reported amounts. Furthermore, funds collected under the Facility Improvement Funds (FIF) were mismanaged, being spent at source instead of transferred to County Revenue Fund as per legislation. Similar concerns were raised about physical planning fees, conservancy revenue, and park entry fees, with unsupported receipts amounting to Kshs.2.78 billion. These concerns, along with the use of un-serialized receipts and missing documentation, indicate weak financial oversight and mismanagement within the county government (Transparency International, 2022; Office of the Auditor General, 2023).

The report also pointed out systemic governance weaknesses in managing county finances, including the absence of an officially appointed Revenue Receiver, as mandated PFM Act. The Auditor General criticized the county for failing to include a revenue-raising strategy in its County Integrated Development Plan (CIDP) for 2018-2023, contributing to a revenue shortfall of Kshs.1.1 billion (27%) during the review period. Additionally, delays in operationalizing the County Healthcare Services Improvement Fund further exemplified lapses in financial management and regulatory compliance in Narok County (Auditor General, 2023).

Table 1.1 presents the Own Source Revenue (OSR) growth rates for Narok County over a ten-year period, spanning from the fiscal year 2013/2014 to 2022/2023. The table highlights the current Estimated OSR and corresponding Actual OSR for each fiscal year and their percentage variance. Variance reflects percentage Shortfall in revenue target in each financial year, providing insights into the county's revenue performance trends

Table 1.1 Own Revenue Growth Rates in Narok County

No	Fiscal Year	Estimated OSR	Actual OSR	Variance	Variance	Increasing
1.	2022/2023	4,516,596,906	3,067,671,084	(1,448,925,823)	-32%	130%
2.	2021/2022	2,374,550,000	1,334,563,665	(1,039,986,335)	-44%	116%
3.	2020/2021	3,133,923,503	618,992,782	(2,514,930,721)	-80%	-74%
4.	2019/2020	2,995,144,970	2,345,484,860	(649,660,110)	-22%	-24%
5.	2018/2019	2,859,975,762	2,926,907,522	210,545,826	7%	38%
6.	2017/2018	4,014,367,463	2,219,322,306	(1,795,045,157)	-45%	45%
7.	2016/2017	3,652,820,000	1,533,933,961	(2,118,886,039)	-58%	-11%
8.	2015/2016	3,502,200,000	1,726,402,455	((1,775,797,545))	-51%	5%

9.	2014/2015	2,760,000,000	1,639,214,710	(1,120,785,290)	-41%	7%
10.	2013/2014	3,700,000,000	1,538,519,099	(2,161,480,901)	-58%	-
11.	2012/2013	-	-	-	-	-
	Overall Growth Rate	-	-	-	-	-

Source: Auditor General (2023)

Narok County's financial sustainability faces significant challenges, as reflected in Own Source Revenue (OSR) trends depicted in Table 1.1. The substantial revenue shortfall of 32.07% in 2022/2023 fiscal year, where actual revenue fell from an estimated Kshs 4,516.60 million to Kshs 3,067.67 million presents a very concerning issue. Such a sharp decline highlights difficulties in revenue generation and collection, potentially affecting Narok's ability to fund essential services and development projects.

Beyond the immediate shortfall, data reveals volatility in revenue performance, with negative growth rates of 4.47% in 2016/2017 and 32.07% in 2022/2023. This instability raises concerns about Narok's financial foundation and its reliance on fluctuating income sources. Over the past decade, 0.97% overall growth rate indicates minimal progress, posing risks to long-term fiscal sustainability amid rising costs and increasing service demands.

The analysis suggests that Narok County's revenue trends closely mirror previous years' performance, creating a vulnerable fiscal structure where economic downturns or inefficiencies in revenue collection can quickly destabilize finances. Lack of consistent growth further underscores revenue sources diversification urgency. Dependence on a few streams leaves economic shifts and policy changes exposure, which could weaken its financial position.

Addressing these challenges requires strategic planning and innovative revenue-generation approaches. Strengthening financial management and exploring new income streams can help stabilize the county's fiscal health, ensuring it can meet service delivery expectations and development goals. Without proactive measures, financial constraints will continue to hinder progress, making long-term sustainability increasingly difficult.

1.2 Statement of Problem

Narok County's financial sustainability has come into sharp focus due to concerning trends in its Own Source Revenue (OSR) over recent years. The Auditor General's 2024 report highlighted significant fluctuations in revenue collection, with one of the most pressing issues being a 32.07% shortfall in the 2022/2023 fiscal year. Actual revenue dropped to Kshs 3,067.67 million, falling far below the estimated Kshs 4,516.60 million for the year. This decline had direct consequences on the county's development expenditure, which decreased from an originally planned allocation of Kshs 4,827,658,645 at the start of the budget cycle to Kshs 3,969,520,819 by the financial year's end. These revenue inconsistencies raise serious concerns about the county's ability to sustain essential services and development programs. The pattern of instability is not new as similar declines have occurred in previous years, including a 4.47% drop in 2016/2017. The overall growth rate of merely 0.97% over a ten-year span further emphasizes the need for immediate action to enhance the county's revenue generation strategies and secure its long-term financial sustainability (OAG, 2023).

Implementation of effective financial management practices is imperative. Such practices not only improve revenue collection mechanisms but also ensure proper allocation and utilization of financial resources. Financial management contributes to financial sustainability by promoting accountability, transparency, and strategic planning, all of which are essential for optimizing public resources and enhancing service delivery (Mogaka *et al.*, 2023; Muthee *et al.*, 2022). However, there is a scant body of literature focusing on specific financial management practices that enhance counties' financial sustainability, particularly in the context of Narok County. This gap in the existing research highlights the need for a comprehensive study to explore PFM practices and financial sustainability, thereby contributing valuable insights to the field (Sihanya, 2021).

Several studies have addressed the broader themes of public financial management practices, but they often reveal methodological, contextual, and conceptual gaps that limit their applicability to the unique challenges faced by Narok County. Muthee *et al.*, (2022) ascertained that local governments struggle with budgeting practices, leading to revenue collection inefficiencies; however, the study did not explore specific strategies that could enhance these practices in the Narok context. Similarly, research by Mogaka *et al.*, (2023) indicated that the lack of stakeholder engagement in financial

planning adversely affects revenue generation, yet it lacked a detailed analysis of how cultural factors influence these engagements in Narok County. Furthermore, a study by Sihanya (2021) highlighted the importance of governance structures in financial management but did not address the specific financial challenges faced by rural counties like Narok. In light of these gaps, the proposed study intended to ascertain PFM Practices impacts on Narok's financial Sustainability.

1.3 Objectives of Study

1.3.1 General Objective

The study mainly examines PFM Practices impacts on Narok County's financial sustainability

1.3.2 Specific Objective of Study

- i) To determine the effect of financial planning on Financial Sustainability
- ii) To establish the effect of revenue mobilization on Financial Sustainability
- iii) To examine the effect of financial reporting on Financial Sustainability
- iv) To examine the effect of internal control on Financial Sustainability

2. REVIEW OF LITERATURE

2.1 Theoretical Review

2.1.1 Fiscal Sociology Theory (FST)

Joseph Schumpeter's Fiscal Sociology Theory (FST), established in 1918, presents a nuanced perspective on fiscal policy by linking taxation and financial planning to broader social and political dynamics. Schumpeter argued that public revenue systems are more than just economic mechanisms; they are deeply embedded within society's sociopolitical fabric. According to him, a government's ability to plan finances and mobilize revenue depends on its relationship with citizens, institutional structures and historical fiscal trends (Schumpeter, 1918; Martin, 2015). In essence, financial policies are not solely dictated by economic considerations but are shaped by trust in government institutions and their capacity to manage resources transparently. This legitimacy is essential in fostering efficient revenue collection and ensuring financial sustainability (Brautigam, Fjeldstad, & Moore, 2008; Levi, 1988).

Applied to county governments, FST suggests that financial planning and revenue mobilization are directly influenced by transparency in fiscal practices, governance structures and public trust. Studies indicate that participatory budgeting and clear fiscal policies can strengthen citizens' willingness to pay taxes, ultimately enhancing revenue collection efforts (Prichard, 2010; Olowu, 2003). Counties that prioritize transparency and accountability in governance are more likely to sustain financial stability due to increased taxpayer compliance (Brautigam et al., 2008; Moore, 2015).

Despite its insights, FST has faced criticism for placing too much emphasis on social and political factors while overlooking technical aspects of financial management, such as economic incentives and technological advancements (Timmons, 2005; Levi, 1988). In developing nations, where institutional structures are still evolving, external economic forces are crucial in shaping financial sustainability than societal norms (Prichard, 2010; Timmons, 2005). However, despite these critiques, FST remains relevant in understanding how counties like Narok can build financial sustainability by fostering institutional trust and aligning fiscal policies with community values (Ochieng, 2017; Khaunya, Wawire, & Chepngeno, 2015)

2.1.2 Agency Theory

Jensen and Meckling's Agency Theory (1976) examines principal-agent relationship, where principals such as business owners or governments delegate decision-making responsibilities to agents, like managers or administrators. This delegation can lead to challenges, particularly asymmetrical information and conflicting interests. Because agents often have more detailed knowledge than principals, they may act in ways that serve their own interests rather than organization's broader goals. To address this, robust internal control systems are necessary to ensure agents' actions align with principals' objectives, ultimately supporting financial sustainability (Jensen & Payne, 2003).

In financial reporting and oversight, agency theory emphasizes eminence of strong internal control mechanisms to safeguard transparency and accountability. In public sector institutions, such as county governments, these controls are vital in reducing information asymmetry and ensuring administrators act in public's best interest. By promoting open and

accountable financial reporting, internal control systems help mitigate risks associated with agency relationships, fostering better governance and financial integrity (Abdi, 2015).

Research by Abdi (2015) and Jensen & Payne (2003) reinforces argument that internal controls particularly financial audits can minimize agency costs and enhance financial performance. Proper oversight enables county governments to allocate resources more effectively, ensuring that financial decisions align with institutional objectives. Strengthening internal controls not only improves fiscal management but also contributes to overall financial sustainability by reducing inefficiencies and promoting responsible governance.

2.1.3 Stewardship Theory

Stewardship Theory, introduced by Schoorman, Donaldson, and Davis (1997), presents a contrasting view to Agency Theory by proposing that managers rather than acting out of self-interest are driven by a commitment to organizational success. Instead of prioritizing personal gain, stewards see themselves as custodians of an organization's resources, ensuring their decisions align with long-term institutional goals. This theory underscores vitality of trust, dedication, and intrinsic motivation, suggesting that financial sustainability is best achieved when leaders place the collective interests of the organization above individual incentives (Donaldson & Davis, 1991).

In PFM, Stewardship Theory highlights substantiality of fostering accountability, responsibility and ethical financial practices. Public sector leaders who embrace a stewardship mindset are more likely to implement sound financial management strategies that enhance efficiency and safeguard institution's long-term stability. By prioritizing responsible fiscal planning, revenue mobilization and robust internal controls, steward-leaders contribute to a sustainable financial framework that ensures transparency and prudent resource allocation (Schoorman, Donaldson, & Davis, 1997).

Research supports the idea that stewardship-driven leadership improves financial accountability and operational efficiency in managing public funds. Studies suggest that when leaders operate with a commitment to institutional well-being, they are better poised to enhance service delivery and long-term financial sustainability (Abioro, 2013; Fama, 1980). This approach fosters a governance environment where financial decisions are made not just for immediate gain but with a vision for enduring stability and responsible resource management.

2.1.4 Institutional Theory (IT)

Advanced by Meyer and Rowan (1977) and DiMaggio and Powell (1977), IT explores how organizations adapt to social norms, values and regulations to maintain legitimacy and ensure survival. It suggests that financial reporting and internal control systems are often shaped by institutional expectations rather than solely for operational efficiency. In public institutions, complying with regulatory frameworks and societal standards strengthens their credibility and reinforces financial sustainability (Meyer & Rowan, 1977; DiMaggio & Powell, 1977).

For county governments, adherence to institutional norms, such as transparent financial reporting and strong internal controls, is eminent in building public trust and reinforcing legitimacy. When citizens and stakeholders perceive a government as accountable and transparent, they are highly probable to support its financial initiatives, resulting in greater fiscal stability (Ochieng, 2017; Mutua, 2018). Institutional Theory helps explain why counties that align their financial practices with established regulations and societal expectations tend to experience stronger financial sustainability, as this alignment fosters confidence and cooperation from the public (Makhamara, 2019).

Each of these theoretical perspectives offers essential insights into financial planning, revenue mobilization and accountability in public sector institutions. By understanding these frameworks, county governments and other public organizations can implement strategies that enhance financial performance and long-term sustainability.

2.2 Empirical Literature Review

2.2.1 Financial Planning and Financial Sustainability

Silva et al. (2022) ascertained financial planning effects and Brazil's NGO's financial sustainability. Through surveys and interviews with NGO's managers quantitative and qualitative data were amassed. Findings indicated that organizations with formal financial planning mechanisms, such as budget forecasting and expenditure control, were more financially sustainable over the long term. The study identified gaps in understanding the role of external environmental factors, such as donor dependency, on financial sustainability. Additionally, the authors noted a methodological gap in the limited use of

longitudinal data, which would provide a more comprehensive view of financial planning's long-term effects. The contextual gap involved the lack of studies in emerging economies, as most existing literature focused on developed countries. Longitudinal design incorporated by this review and focusing on county governments, specifically in the Kenyan context will address these gaps.

Gonzalez and Perez (2021), in ascertaining Financial Planning Practices impacts on Mexico's manufacturing sector SMEs' Financial Sustainability employed quantitative research method involving regression analysis. The results demonstrated that comprehensive financial planning significantly improved the SMEs' ability to survive economic downturns. However, the study noted a gap in understanding the influence of government policies on financial sustainability. The contextual gap highlighted the absence of similar studies in other industries, particularly in the public sector. The proposed study aims to address this by focusing on Kenya's counties.

Johnson & Karanja (2020), reviewed Financial Planning and Kenya's MFIs' Sustainability. Using a case study, they employed interviews and financial document analysis. The findings showed that microfinance institutions (MFIs) with robust financial planning frameworks were more likely to achieve long-term sustainability. Methodologically, the research relied heavily on qualitative data, identifying a gap in quantitative measures of financial sustainability. Conceptually, the study did not explore financial planning and other performance indicators like profitability. The proposed review used quantitative methods to analyze financial planning's role in county governments' financial sustainability, thus filling the identified methodological gap.

Wang and Li (2023) examined how strategic Financial Planning influenced China's State-Owned Enterprises Financial Sustainability. Their research in the energy sector used a mixed-methods approach, with surveys distributed to financial managers. It revealed that state-owned enterprises with clear financial planning practices, including capital allocation strategies and risk management, had a higher likelihood of financial sustainability. However, the authors identified a methodological gap in the generalizability of their findings due to the limited sample size. A contextual gap was noted as well, as most studies in the field focused on privately-owned enterprises. The proposed study addressed these gaps by applying similar research in a public sector context within Kenya.

Kumar et al. (2024) examined how India's Public Universities Financial Sustainability was affected by Financial Planning, focusing on the education sector and used a quantitative research approach with data collected from financial reports of public universities. The study revealed that universities with effective financial planning practices, such as periodic audits and multi-year financial plans, were more likely to be financially sustainable. A key research gap was the lack of attention to external variables like government funding and how this affects financial sustainability. Methodologically, the study failed to consider qualitative perspectives, such as interviews with financial managers. The proposed study addressed these conceptual and methodological gaps by investigating both internal and external factors influencing financial sustainability in Kenyan county governments.

2.2.2 Revenue Mobilization and Financial Sustainability

A study by Mwangi and Njoroge (2022), titled Revenue Mobilization and Kenyan counties' Financial Sustainability, focused on the public sector in Kenya. Utilizing descriptive research data gathering through surveys and secondary sources, findings indicated that counties with diversified revenue streams, including own-source revenue and external funding, demonstrated greater financial sustainability. However, the study identified a contextual gap in understanding how technological innovations, such as e-revenue systems, influence revenue mobilization. Additionally, the research employed a cross-sectional design, which the authors noted as a methodological limitation. The proposed study addressed this by incorporating technological factors and adopting a longitudinal research design.

Kasozi and Mbabazi (2021) examined health sector Uganda's NGOs mobilize revenue to sustain their operations. Using qualitative research methods, they interviewed financial managers to understand strategies employed. Outcomes delineated that NGOs leveraging diverse fundraising approaches such as donor engagement and social enterprise ventures were better positioned for financial sustainability. However, government partnerships role in strengthening revenue mobilization was not explored. Additionally, its reliance on qualitative data left room for future research to incorporate quantitative analysis. To cover this gap, mixed methods will be employed.

Omondi et al. (2020) investigated Kenya's Nairobi private hospitals revenue mobilization and financial sustainability, using a quantitative approach. They analyzed financial data from these hospitals and conducted regression analysis to assess various revenue strategies impacts. Hospitals implementing efficient billing systems and forming insurance partnerships

were found to be more financially stable. However, they identified a gap in understanding how external factors particularly shifts in government policy affect revenue mobilization. To address this, the proposed review focuses on revenue mobilization within county governments, paying particular attention to the influence of policy changes.

Patel and Shah (2023) examined revenue mobilization in Indian municipal corporations using a mixed-methods approach. Their study incorporated surveys and financial document analysis to assess how municipalities generate revenue to sustain their functions. Findings delineated that municipal corporations employing aggressive revenue collection strategies like property taxes and service fees were financially more stable. However, they noted a gap in research regarding citizen engagement role in revenue mobilization. The proposed study expands on this by exploring how stakeholder involvement influences revenue collection in Kenyan counties.

Karanja and Mutua (2024) investigated digital revenue collection systems impacts on Kenyan counties financial sustainability. Their research, based on case studies, found that counties adopting digital collection methods saw significant improvements in revenue generation and financial stability. However, they identified a gap in understanding challenges surrounding systems implementations, particularly resistance from stakeholders. The proposed examination addresses this issue by ascertaining factors that determine digital revenue collection success in county governments.

2.2.3 Financial Reporting and Financial Sustainability

Mensah et al. (2021) investigated financial Reporting impacts on Ghana's non-profit sector Financial Sustainability using a mixed-methods approach, integrating survey data and interviews with financial officers. Findings accentuated eminence of transparent and accurate financial reporting in promoting financial sustainability. However, a methodological gap was identified, as it relied on cross-sectional data that limited assessing of long-term trends. Additionally, it did not explore financial reporting critical role in building donor confidence, which is essential for sustainability. To cover these gaps, longitudinal data was incorporated and focuses on Kenya's public sector organizations, offering a more diverse perspective.

Jones and Smith (2022) examined financial reporting practices influence on Australian local governments' financial sustainability, using a quantitative research approach. By analyzing financial reports from local governments, they found that entities with strong financial reporting frameworks were more likely to achieve long-term fiscal stability. However, they identified a missing link, how non-financial indicators, such as community satisfaction, influence financial sustainability. To bridge this, both financial and non-financial indicators within Kenyan county governments to provide a more holistic understanding of fiscal sustainability were examined.

Kimani and Wanjiru (2020) ascertained financial reporting influences on Kenyan MFI financial sustainability. Findings showed that MFIs with well-structured financial reporting systems were more successful in attracting funding and sustaining operations. However, their research overlooked financial reporting internal impacts—particularly on employees. This examination builds on their work by exploring how financial reporting influences internal accountability within county governments, ensuring organizational effects' deeper understanding.

Wang et al. (2023), ascertained financial reporting impacts on China's state-owned Enterprises sustainability using a mixed-methods approach and found that SOEs with transparent financial reporting were better positioned to attract investment and maintain financial sustainability. However, their study lacked comparative analysis between public and private enterprises, leaving room to examine broader financial trends. To address this, Kenya's public sector will be zeroed in while comparing their financial reporting practices with other sectors to assess sustainability across different organizational structures.

Ochieng and Mutiso (2024), in examining financial reporting influences on Kenyan Counties' Financial Sustainability, used descriptive research methods, gathering data from financial reports and interviews with county financial officers. They found that counties with well-developed financial reporting frameworks had stronger financial sustainability. However, how technology influences financial reporting efficiency was not investigated. To fill this gap, the examination evaluates e-financial reporting systems adoption and their impact on counties' financial sustainability, offering insights into modernization and accountability improvements.

2.2.4 Internal Control and Financial Sustainability

Mutuku et al. (2021) conducted a descriptive study on internal control systems and Kenyan counties' financial sustainability, amassing data through surveys and interviews. Findings demonstrated that counties with well-established internal controls, such as regular audits and risk management frameworks, exhibited stronger financial stability. However, heavy primary

data reliance, overlooking secondary sources' potential insights which could have provided a more objective measure of financial sustainability presents methodological gap. This review covers that by integrating both primary and secondary data collection methods for a more comprehensive analysis.

Karanja and Mwangi (2022) explored internal controls roles in maintaining Kenya MFI's financial sustainability through case study approach. Using qualitative interviews with financial managers, MFIs with structured internal controls such as segregation of duties and fraud prevention measures were revealed to be more financially resilient. Despite these outcomes, internal control systems influence on organizational culture were not examined. To build on this, this examination expands scope to assess internal controls, financial sustainability and counties' workplace culture relationship.

Zhou and Li (2023) examined internal controls and financial sustainability within Chinese state-owned enterprises (SOEs) using a mixed-methods approach. Their research, focusing on the energy sector, found that organizations with rigorous financial audits were more likely to maintain long-term fiscal stability. The research identified a methodological gap in self-reported data dependence, which could interpose bias. Additionally, a contextual gap was noted as the study only focused on the energy sector. It was addressed by focusing on public sector organizations in Kenya and using objective financial performance data.

In their study Internal Controls and Financial Sustainability of Private Hospitals in South Africa, Singh and Patel (2020) employed a quantitative research design. Using regression analysis, the study found that hospitals with strong internal controls, such as inventory management and financial audits, were more likely to be financially sustainable. However, the study identified a conceptual gap in understanding how internal controls affect non-financial outcomes, such as patient satisfaction. The proposed study addressed this gap by exploring both financial and non-financial outcomes in Kenyan counties.

Ouma & Muthoni (2024) in Internal Control Systems and Kenyan counties Financial Sustainability, used descriptive research and gathered information through surveys and financial reports. Counties with effective ICS, such as risk management and audit committees, were found to be more likely to achieve financial sustainability. However, the study identified a gap in exploring the role of external audits in enhancing internal control systems. It covered by investigating internal and external audits impacts on counties' financial sustainability.

3. RESEARCH METHODOLOGY

Descriptive design was employed by the review. As noted by Cooper and Schindler (2003), it focuses on grasping essence of "what.", where, and how of a phenomenon. The target population involved employees from Finance and Economic Development department in the County Government of Narok, totaling 76 respondents. Kothari (2000) notes that a carefully selected sample representing approximately 10% of total population can yield reliable insights. Mugenda and Mugenda (2003), posit 30 sample size can effectively represent entire study population. This research implemented stratified random sampling to guarantee adequate representation. Kothari's (2004) methodology was applied to determine the appropriate sample size of 62 respondents drawn from key departments. Both primary and secondary were collected using a semi-structured questionnaire from quantitative sources as well as qualitative sources. Data was analyzed using descriptive analysis of percentages, means, frequencies and standard deviations. A multiple regression model was used to establish the relationship between public financial management practices and financial stability.

4. RESEARCH FINDINGS AND DISCUSSION

4.1 Response Rate

Table 4.1 depicts response rate after administering questionnaire to 62 respondents encompassing Finance and Economic Planning, CEC Finance, Chief Officer and Director.

Table 4.1: Response Rate

Status of questionnaire	Number	Percentage
Returned	61	98.4
Not returned	1	1.6
	62	100

Source: Research Data (2025)

The response rate achieved as presented in Table was at 98.4% with only 1 respondent who did not participate in the study accounting for 1.6%. Therefore, the higher response achieved mean that the sample closely mirrored overall population.

4.2 Descriptive Statistics Results

The review's quantitative data obtained using a structured questionnaire was analyzed by descriptive statistics (standard deviation and mean) to assess respondents' agreement level on each statement per variable.

4.2.1 Public Financial Management

Table 4.2: Descriptive Statistics

Descriptive Statistics	Mean	Std Dev
Financial planning	4.29	0.705
Resource mobilization	4.05	0.953
Financial reporting	4.27	0.896
Internal control	4.00	0.986

Source: Research Data (2025)

The findings reveal respondents' agreement with every statement outlining how financial planning affects Kenya's Narok County Financial Sustainability. The finding agree with Silva et al. (2022) research observation that organizations with formal financial planning mechanisms, such as budget forecasting and expenditure control, were more financially sustainable over the long term.

The outcomes demonstrate participants' concurrence that resource mobilization influenced financial sustainability of Kenya's Narok County in Kenya, as evidenced by 4.05 aggregate mean and 0.953 standard deviation. The finding concur with the finding of a study by Mwangi and Njoroge (2022), titled Revenue Mobilization and Kenyan counties' Financial Sustainability, focused on the public sector in Kenya and indicated that counties with diversified revenue streams, including own-source revenue and external funding, demonstrated greater financial sustainability. The finding also concur with Kasozi and Mbabazi (2021) research on the relationship between Revenue Mobilization Strategies and Financial Sustainability of Health Sector NGOs in Uganda and the findings revealed that NGOs that employed diversified fundraising strategies, such as donor engagement and social enterprise ventures, were more likely to achieve financial sustainability.

The results denote participants' concurrence that financial reporting plays a role in the financial sustainability of Narok County in Kenya, with an overall mean of 4.27 and a standard deviation of 0.896. The finding concurs with Mensah et al. (2021), who examined Financial Reporting and Financial Sustainability in the Non-Profit Sector: Evidence from Ghana. The findings revealed that transparent and accurate financial reporting practices significantly contributed to financial sustainability. The finding is also in line with Jones and Smith (2022), in their study titled Financial Reporting Practices and Australian Local Governments Financial Sustainability, utilized a quantitative research approach and the results indicated that those with robust financial reporting systems were more likely to maintain long-term financial sustainability.

The findings demonstrate respondents' endorsements on internal control influencing Kenya's Narok County financial sustainability, as evidenced by 4.00 aggregate mean and 0.986 standard deviation. The finding is assents to Mutuku et al., (2021) review titled Internal Control Systems and Kenyan counties Financial Sustainability. The findings revealed that counties with robust internal control systems, such as regular audits and risk management practices, demonstrated greater financial sustainability. The finding is also supported by Karanja and Mwangi (2022), in their research titled Internal Control and Kenyan MFI's Financial Sustainability. The study found that MFIs with strong internal controls, such as segregation of duties and fraud prevention mechanisms, were more likely to be financially sustainable.

4.2.2 Financial Sustainability

Table 4.3 depicts Kenya's Narok County Financial Sustainability results. Table

Table 4.3: Financial Sustainability

	Minimum	Maximum	Mean	Standard deviation
Revenue growth rate	7.051	15.042	16.3452	5.0314

Source: Research Data (2025)

As depicted, outcomes denote that minimum and maximum value for revenue growth for the County is 7.051 and 15.042 respectively with a mean of 16.3452 and standard deviation of 5.0314. The range between the minimum and maximum revenue growth percentages suggests there is quite diversity in how different sectors or entities within Narok County are performing. In addition, a sustained revenue growth rate at this level is an encouraging sign for financial sustainability suggesting that local businesses may be expanding and local government revenues are likely increasing with varying growth rates among different sectors.

4.3 Regression Analysis Results

To ascertain explained variables' connection with explanatory variables, regression analysis was performed.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.869	0.755161	0.705	1.0251

Source: Research Data (2025)

The results in Table 4.4 indicate that the value of adjusted R-squared is 0.705(70.5%) which is the extent to which the dependent variable was influenced by the independent variables studied. This means that there is a gap of 0.295(29.5%) that account for other variables not studied.

Table 4.5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.641	4	21.410	25.843	0.003
	Residual	46.395	56	0.828		
	Total	132.036	60			

Source: Research Data (2025)

Findings outlined in Table 4.10 demonstrate that statistical F value (25,843) exceeds statistical mean value (21.410) at a 5% significance level, indicating model's reliability. Furthermore, with 0.003 significance level well below 0.05 acceptable error margin, model exhibits a strong fit, reinforcing its validity for analysis.

Table 4.6: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.701	0.215		3.260	0.003
Financial planning	0.785	0.301	0.0536	2.608	0.004
Resource mobilization	0.711	0.228	0.0441	3.118	0.003
Financial reporting	0.803	0.331	0.0468	2.426	0.002
Internal control	0.776	0.267	0.0316	2.906	0.003

Source: Research Data (2025)

Analysis delineated in Table 4.6 depicts that 0.701 constant value of dependent variable baseline adjustment when independent variables remain unchanged. Examining regression coefficients, outcomes suggest that enhancing financial planning, resource mobilization, financial reporting, and internal controls would lead to corresponding improvements in Narok County's financial sustainability, reflected by values of 0.785, 0.711, 0.803, and 0.776, respectively.

Below is the defined regression equation:

$$Y = 0.701 + 0.785X_1 + 0.711X_2 + 0.803X_3 + 0.776X_4 + \epsilon$$

Where: Y = Financial sustainability

X₁ = Financial planning

X₂ = Resource mobilization

X₃ = Financial reporting

X₄ = Internal control

The review ascertained that financial planning positively significantly affected Kenya's Narok County Financial Sustainability ($\beta=0.0536$, $t= 2.608$, $p < 0.05$). This outcome concurs with Johnson & Karanja (2020), who reviewed Financial Planning and Kenya's MFIs' Sustainability. The findings showed that microfinance institutions (MFIs) with robust financial planning frameworks were more likely to achieve long-term sustainability.

The examination revealed that resource mobilization positively significantly influenced Narok County's financial sustainability ($\beta=0.0441$, $t= 3.118$, $p < 0.05$). This aligns with Patel and Shah (2023), who studied revenue mobilization in Indian municipal corporations. Their research demonstrated that municipalities adopting aggressive revenue collection strategies like property taxes and service fees were better equipped to maintain financial stability.

Similarly, financial reporting contributed substantially to Narok County's fiscal sustainability ($\beta=0.0468$, $t= 2.426$, $p < 0.05$). This is concurrence with Wang et al. (2023), who examined financial reporting practices in Chinese state-owned enterprises (SOEs). Their mixed-methods study showed that SOEs with transparent reporting practices were more successful in attracting investment and ensuring sustainable financial management.

Additionally, a notable relationship between internal control mechanisms and Narok County's financial sustainability was identified ($\beta=0.0316$, $t= 2.906$, $p < 0.05$). These outcomes are consistent with Zhou and Li (2023), who explored internal control practices within Chinese SOEs. Their outcomes accentuated that organizations enforcing strict financial oversight like regular audits experienced greater fiscal stability.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions of the Study

Proper financial planning was concluded to aid the county in allocating resources in an effective manner making sure that money is geared towards the most needed areas like in the health, education and infrastructure sectors. The County is able to make proper anticipations on future financial requirement making it possible in maintaining fiscal stability through proper financial planning. Effective financial planning makes sure that the management of public funds are made transparent and accountable thus enhancing public trust and encourage citizens in participating in County governance.

The study concludes that proper resource mobilization enable the County in diversifying its sources of funds minimizing dependence on one way of generating income. The mobilization of resources enables the County in investing in most critical services and development projects that can improve the living standards its citizens and allow for more investments. A good resource mobilization framework approach fosters collaborations among private agencies and non-governmental organizations, results to beneficial collaborative projects to the community.

The study concludes that effective financial reporting promotes transparency with the County's operations making stakeholder have a clearer perspective of the County's financial health. Frequent reporting of finances assists the County in the identification of inefficient points and wastage resulting to a better allocation of resource and enhanced financial sustainability. Accurate and timely dissemination of financial information allows the County to come up with better decision making that are in line with financial stability in the long run. A proper reporting of financial information of the County brings trust amongst the County's citizens promoting citizen engagement and supporting the County's projects.

The study concludes that proper implementation of internal control systems makes the County be transparent and accountable it its financial operations preventing fraud and misappropriation of County's resources thus protecting the public funds. Proper internal controls enable the County in improving its budgeting process resulting to an effective financial

planning and allocation of resource and hence supporting long term financial stability and make the County capable of meeting its residents' needs.

5.2 Recommendations of the Study

The county is commended to develop a complete framework for managing its finances that is in line with its strategic objectives to ensure that the financial activities back long term sustainability. The County should implement very strong budgeting processes by prioritizing critical services at the same time looking for areas that can save costs and improve efficiency. The County should invest on employee capacity building to keep them upto date on financial literacy matters and managerial skills in order to make proper decisions.

The study recommends that the County should develop an all-encompassing structure for allocating resource by prioritizing resources. The County should conduct frequent resource management audits and assessments to identify areas that are not effective and that need to be improved. The County should promote collaborations with other parties to source for more resources and knowledge so as to improve its financial sustainability. The County should implement performance-based budgeting practices that link funding to measurable outcomes, thereby enhancing accountability and ensuring that resources are utilized effectively in Narok County.

The study recommends that County should develop a comprehensive risk management framework to identify and mitigate financial risks within Narok County. Implement regular financial audits to ensure transparency and accountability in financial reporting and resource allocation. Enhance training programs for county staff on financial management and internal control procedures to improve compliance and efficiency and establish a robust monitoring and evaluation system to track financial performance and sustainability indicators over time.

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