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The Moderating Effect of Institutional Culture on The Relationship Between Operational Practices and Budget Implementation in Selected County Governments in Kenya

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Abstract

Development budget absorption remains inadequate despite robust legal frameworks such as the PFM Act (2012), the Procurement and Asset Disposal Act (2015), and the Controller of Budget Act (2016). This study examined the moderating effect of institutional culture on the relationship between operational practices and budget implementation in selected county governments in Kenya. Institutional culture is conceptualised as a behavioural and normative context distinct from formal operational practices, shaping how such practices are implemented and enforced. The study was grounded in Principal-Agent Theory, Institutional Theory, and Public Choice Theory. An explanatory research design, supported by descriptive elements, was adopted within a pragmatist philosophical framework. The target population comprised 29,978 county government personnel drawn from six counties: Nakuru County, Uasin Gishu County, Kericho County, Kajiado County, Narok County, and Baringo County. From this population, a purposive and stratified sample of 217 officials directly involved in budget execution was selected. Data were collected using a structured questionnaire and analysed using descriptive statistics and multiple regression analysis through the IBM SPSS Statistics package. The findings revealed that organisational culture had a positive moderating effect on the relationship between operational practices and budget implementation in the selected county governments. Organisational culture measured in terms of leadership, teamwork, and ethics significantly strengthened the influence of operational practices on budget implementation outcomes ($\beta = 0.238, p = 0.000$). The study highlights the oversight role of the Office of the Controller of Budget under Article 228 of the Constitution of Kenya, 2010 and the Controller of Budget Act, 2016.

Keywords: *Institutional Culture, Operational Practices, Budget Implementation, County Governments, Kenya*

1.0 Introduction

Operational practices refer to the systematic methods, processes, and procedures that an organisation employs to execute its daily activities efficiently and effectively in order to achieve its objectives (Browning, 2020; Liu & Tian, 2018; Dellanna, 2019; Olson et al., 2017). These practices aim to ensure that organisational processes operate smoothly, efficiently, and in alignment with the organisation's goals and objectives. In the context of public budget execution, operational practices are essential for enabling government institutions to utilise allocated funds effectively and efficiently in order to achieve their intended objectives (Smith et al., 2019). Empirical evidence from decentralised governance systems reinforces the importance of operational practices in budget execution. Studies in Kenya show that delays in fund disbursement, procurement inefficiencies, and weak financial controls significantly constrain budget absorption at the county level (Gichuki, 2014; Oduor, 2015). Similarly, evidence from Rwanda, Tanzania, and Uganda indicates that improvements in financial reporting, procurement systems, and oversight mechanisms enhance budget execution, although implementation capacity remains uneven (World Bank, 2020).

Institutional culture, while often embedded within organisational processes, is conceptually distinct from operational practices. Whereas operational practices refer to formalised procedures and systems such as financial reporting, procurement processes, and audit controls, institutional culture reflects the underlying norms, values, and behavioural orientations that shape how these practices are interpreted and implemented. This distinction is critical in understanding why similar operational systems may yield different outcomes across county governments.

Globally, public financial management involves a range of practices and systems used by governments to ensure the effective and transparent management of public funds (Kristensen et al., 2019). These practices are crucial for maintaining fiscal discipline, promoting accountability, and ensuring the efficient allocation of resources to improve public services and stimulate economic development. However, owing to the absence of a universal approach to public financial management, countries adopt different practices and systems (Guess & Savage, 2021). According to the World Bank (WB, 2019), New Zealand employs a performance-based budgeting system that links budget allocations to clearly defined outputs and outcomes in the management of public finances. In contrast, countries such as the United States, Brazil, and India utilise incremental budgeting, a traditional approach that involves adjusting the previous year's budget to account for factors such as inflation, cost-of-living changes, and other economic variables (Duncombe, 2018). Although this approach is generally easier to implement and can provide stability for ongoing programmes and services, it may be less flexible and may discourage organisations from rigorously reassessing their priorities and performance. Evidence from the World Bank's Public Expenditure and Financial Accountability (PEFA) framework supports this observation (WB, 2019). Despite differences in budgeting approaches, national budgeting systems generally share the common objective of facilitating the efficient allocation and utilisation of resources to ensure effective service delivery and cost efficiency within their respective contexts (Dellanna, 2019).

In many African countries, budget execution is governed by a range of legal and regulatory frameworks designed to promote transparency, accountability, and sound fiscal management (Haruna & Vyas-Doorgapersad, 2016). However, across these systems,

evidence consistently shows that weaknesses in operational practices—rather than legal frameworks are the primary drivers of poor budget implementation outcomes. The African Development Bank (AfDB, 2018) notes that such frameworks promote fiscal discipline, transparency, and good governance, thereby forming the foundation for efficient, responsive, and accountable public institutions. However, weaknesses in the implementation of these frameworks can undermine effective budget execution and negatively affect government development and investment objectives (AfDB, 2018). Empirical evidence from decentralised governance systems reinforces the importance of operational practices in budget execution. Studies in Kenya show that delays in fund disbursement, procurement inefficiencies, and weak financial controls significantly constrain budget absorption at the county level (Gichuki, 2014; Oduor, 2015). Similarly, evidence from Rwanda, Tanzania, and Uganda indicates that improvements in financial reporting, procurement systems, and oversight mechanisms enhance budget execution, although implementation capacity remains uneven (World Bank, 2020). The findings revealed a positive relationship between well-defined operational practices and effective budget execution. Specifically, government institutions that established clear and systematic operational procedures experienced fewer challenges in implementing their budgets compared to those with inconsistent or poorly structured practices. Similarly, a World Bank study (WB, 2020) examined budget implementation processes in Rwanda, Tanzania, and Uganda. Despite several challenges, these countries achieved notable improvements in budget execution through the adoption of measurable operational practices, particularly in areas such as financial reporting, monitoring, and external oversight.

In Kenya, the management of public finances is anchored in a comprehensive legal and regulatory framework designed to enhance transparency, accountability, and the efficient utilisation of public resources (Ondoro, 2017). Key milestones in this framework include the enactment of the Public Finance Management (PFM) Act, 2012 and its accompanying Regulations in 2015, the Public Procurement and Asset Disposal (PPAD) Act, 2015, and the Public Procurement and Asset Disposal Regulations, 2020. Collectively, these legislative instruments represent significant progress in strengthening public financial management in Kenya. In addition, the Government of Kenya has introduced financial management systems such as the Integrated Financial Management Information System (IFMIS), initially implemented in 2003, to enhance financial management processes. The Public Procurement Regulatory Authority (PPRA) also performs an important oversight and regulatory role that has significantly contributed to strengthening procurement and financial management practices.

As a result of these reforms, Kenya's public financial management framework has received international recognition. However, several challenges continue to be highlighted by oversight institutions such as the Office of the Auditor-General (OAG) and the Office of the Controller of Budget (OCOB). According to the World Bank and the International Monetary Fund (IMF), although these reforms have established a robust framework for improving financial management at both national and county government levels, challenges in implementation remain (WB, 2020; IMF, 2019). Since 2013, Kenya has operated under a devolved system of government established by the Constitution of Kenya, 2010. This system created two distinct levels of government: the national government and 47 county governments. Although these two levels are constitutionally independent, they

share several operational characteristics, particularly in financial administration. Both levels are required to prepare annual budgets to finance their respective functions as outlined in the Fourth Schedule of the Constitution. The budgeting processes are guided by constitutional provisions, including Articles 185(2), 186(1), and 187(2), which result in considerable similarities in budget preparation, execution, and oversight mechanisms across the two levels of government.

1.1 Statement of the Problem

Since the introduction of devolution in Kenya in 2013, county governments have faced persistent challenges in implementing their budgets. Budget absorption, particularly for development expenditure, remains inadequate despite the existence of robust legal frameworks, including the Public Finance Management Act, 2012, the Public Procurement and Asset Disposal Act, 2015, and the Controller of Budget Act, 2016. The study also highlights the oversight role of the Office of the Controller of Budget under Article 228 of the Constitution of Kenya, 2010 and the Controller of Budget Act, 2016. The Office of the Controller of Budget authorises withdrawals from the County Revenue Fund and monitors budget execution. However, this role often becomes reactive rather than preventive when counties fail to meet compliance and performance obligations, as envisaged in Section 9 of the Act. Therefore, the findings reveal a significant gap between legal and regulatory frameworks and their practical implementation. Similar patterns have been observed across decentralised systems in Africa, where operational inefficiencies—particularly in financial management, procurement, and control systems—explain persistent budget execution failures.

1.2 Objective of the Study

To evaluate the moderating effect of Institutional Culture on the relationships between various operational practices and budget execution among selected county governments in Kenya.

1.3 Research Hypothesis

The study tested the following hypothesis in view of the objective: Institutional Culture has no significant moderating effect on budget implementation.

2.0 Literature Review

The section presents the literature review, theoretical framework and conceptual framework.

2.1 Theoretical Framework

Boyd and Boyd (2018) define a theoretical framework as the exploration and synthesis of existing theories by a researcher. Its purpose is to serve as a conceptual guide that directs the development of research arguments and facilitates the analysis, interpretation, and generalisation of research findings. In the present study, the theoretical framework serves as a guiding structure that assists the researcher in interpreting the collected data, generating coherent insights, and drawing meaningful conclusions.

2.1.1 Principal-Agent Theory

The Principal-Agent Theory, also known as agency theory, was formulated by William Baumol, Marris, and Williamson during the 1960s and 1970s (Pepper, 2018). This economic and organisational concept examines the complex relationship between principals (owners or shareholders) and agents (employees or managers) who are delegated to act on the principals' behalf (Pepper, 2018). In the context of this study, the theory provides a comprehensive framework for analysing the dynamics between county

governments (principals) and county officials (agents). Within the scope of operational finance and procurement practices related to budget implementation, this perspective enables the researcher to scrutinize workplace regulations and operational procedures in relation to the effectiveness of county officials in managing financial and procurement functions. Furthermore, the theory supports the assessment of officials' accountability and competence in executing their duties, as well as their commitment to prioritising governmental interests over personal gains.

2.1.2 Institutional Theory

The foundation of this theoretical framework is rooted in the cumulative scholarly contributions of influential academics in sociology and organisational studies, exemplified by Meyer (2021). Institutional Theory, grounded in sociological and organisational principles, examines how institutions including rules, norms, and established practices shape and guide the behaviour of individuals within an organisation or society (Earl & Hall, 2021). When applied to employee conduct, the theory enables researchers to discern how various institutional forces influence employees' actions and decisions (Earl & Hall, 2021). In this study, the theory plays a pivotal role in evaluating the effectiveness of operational strategies adopted by county governments. It particularly emphasises operational control practices, such as internal audits, and the integration of ICT tools, including Integrated Financial Management Information Systems (IFMIS), into organisational processes.

In this study, Institutional Theory also provides the basis for distinguishing institutional culture from operational practices. While operational practices represent formal structures and procedures, institutional culture reflects deeper normative and cognitive elements that influence how these structures are enacted. This distinction supports the treatment of institutional culture as a moderating variable that conditions the effectiveness of operational practices rather than constituting them.

2.1.3 Public Choice Theory

Public Choice Theory, an economic and political framework pioneered by James Buchanan and Gordon Tullock in the mid-20th century, applies economic principles to the analysis of political decision-making, the behaviour of public officials, and voter actions (Congleton et al., 2019). The theory is founded on the premise that individuals, whether politicians or bureaucrats, act out of self-interest in both public and private spheres. Applied to the conduct of county government officials involved in budget implementation, the theory suggests that these individuals behave as rational, self-interested actors rather than solely as dedicated public servants. Consequently, in the context of budget implementation, government officials may utilise Operational Finance and Operational Procurement Practices in ways that maximise personal gain rather than serving the government or the public.

2.2 Empirical Review

Empirical evidence from public financial management and decentralised governance systems demonstrates that operational practices play a critical role in budget implementation. In Kenya, studies show that delays in fund disbursement, weak financial planning, and limited enforcement of financial controls significantly reduce budget absorption in county governments (Gichuki, 2014; Oduor, 2015). These findings highlight that budget execution challenges in devolved systems are primarily operational rather than structural, arising from weaknesses in financial management, procurement processes, and

internal controls. Studies by Mwaura (2013) and Ngaruro (2013) demonstrated that financial planning variables significantly influence organizational financial performance in both private and public sector entities in Kenya, while Mutai (2018) found that internal control methods, ethical standards, and comprehensive monitoring procedures were the most important determinants of county government service delivery success. Njahi (2017) revealed that revenue collection flaws such as system leakages, obsolete databases, and poor compliance levels severely hampered county governments' financial performance, indicating that improving collection procedures would enhance overall financial outcomes. Similar findings in Uganda indicate that weak cash management systems and delayed intergovernmental transfers undermine local government budget performance (Katunguka-Rwakishaya, 2012).

Public procurement in Kenya is governed by the Public Procurement and Disposal Act of 2015 and the Public Procurement and Disposal Rules of 2020, which establish the legal foundation for maintaining integrity, transparency, and compliance in public sector procurement operations (Khan, 2018; Jorge & Lynch, 2017). Empirical studies on procurement practices in Kenyan counties consistently identify procurement inefficiencies as a major constraint to budget implementation: Lwiga (2017) found that effective procurement practices strongly impacted development project success in Kilifi County, while Muli (2017) identified poor coordination between project procurement committees and the supply market in Machakos County, resulting in overreliance on vendors' market expertise. Machoka (2017) demonstrated that although many CDF project managers maintained professional supplier relationships and followed ethical procurement norms, political involvement significantly impacted procurement processes and lowered project performance, with insulating procurement procedures from external intervention improving outcomes. Mbae (2014) found that despite existing procurement rules and regulations, unethical activities and insufficient accountability among procurement professionals hampered procurement procedures and service delivery in Machakos County Government. Comparable evidence from Tanzania shows that procurement delays and weak contract management significantly slow project implementation despite available budget allocations (Tidemand & Msami, 2010).

Empirical evidence from public financial management systems shows that internal control practices, including audit enforcement, compliance monitoring, and risk management, are critical determinants of effective budget implementation. Internal control methods in public budget implementation consist of government policies, processes, and mechanisms that ensure efficient use of public funds, preserve assets, prevent fraud and corruption, and improve transparency and accountability (COSO, 2013). Research by Njiru and Bunyasi (2016) revealed that weak internal control measures, including lack of division of roles and inadequate inventory audits, negatively affected organizational performance in Kenyan water utility companies. Origa (2015) found that organizations with well-established internal control systems performed better financially despite human resource restrictions, while Wakiriba et al. (2014) noted that although Nyandarua County had a good internal control system with clear job separation and management monitoring, financial controls remained flawed due to uneven application of internal audit duties across divisions. In Rwanda, strengthened internal control systems have been associated with improved budget credibility and execution, although performance varies across subnational entities (World Bank, 2022).

Information and communication technology has become essential to public budgeting by improving transparency, efficiency, and accountability in budget execution, with the International Monetary Fund emphasizing its critical role in modern financial management (IMF, 2018; Lechman & Marszk, 2019). While studies in financial institutions demonstrate efficiency gains from ICT adoption, public-sector evidence shows that systems such as IFMIS enhance transparency and expenditure control but remain constrained by implementation capacity and user competence (Fölscher, 2016; Andrews et al., 2017). Chege (2016) found that internet banking enhanced cost efficiency and reduced reliance on labor-intensive processes in 25 domestic banks, though its configuration needed strengthening to support customer relationship management, while Kariuki (2017) demonstrated that sophisticated ICT systems improved efficiency, accessibility, and financial security across 43 commercial banks through online banking, mobile apps, and digital payment systems. Empirical evidence from public-sector and decentralised governance contexts indicates that institutional culture significantly influences how operational practices translate into performance outcomes. In Kenya’s devolved system, weak accountability norms and coordination challenges have been identified as key barriers to effective budget implementation (Khaunya et al., 2015). While operational practices define procedural requirements, institutional culture influences the extent to which these practices are effectively implemented. Studies by Saha and Kumar (2018) and Njoroge et al. (2020) show that supportive organisational cultures strengthen the relationship between internal practices and performance outcomes, reinforcing the role of culture as a conditioning rather than operational variable.

2.3 Conceptual Framework

This section introduces the conceptual framework that guided the study. It demonstrates the link between operational practices (operational finance practices, operational procurement practices, operational control practices, and operational ICT practices) and budget implementation, moderated by institutional culture. Overall, the evidence suggests that budget implementation challenges in devolved systems arise not from deficiencies in legal frameworks but from weaknesses in operational practices and institutional capacity, reinforcing the focus of this study.

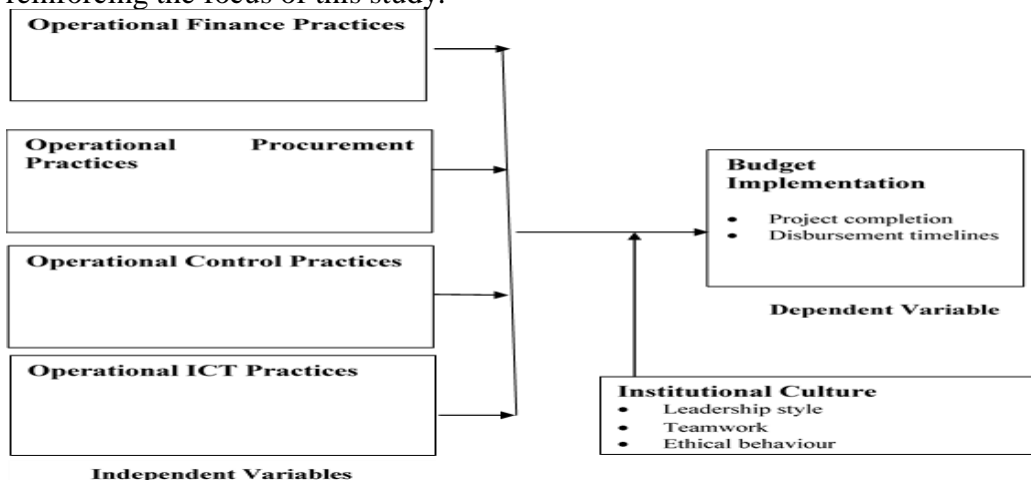


Figure 1: Conceptual Framework

The inclusion of institutional culture as a moderating variable is based on the distinction between formal operational systems and the behavioural context within which they operate. Operational practices such as financial management, procurement procedures, internal

controls, and ICT systems represent structured and measurable processes. In contrast, institutional culture reflects shared norms, values, and behavioural expectations that shape how these processes are executed. As such, institutional culture is treated as a higher-order contextual factor that influences the strength and direction of the relationship between operational practices and budget implementation outcomes, rather than as a component of the practices themselves.

3.0 Research Methodology

This study adopted a pragmatist research philosophy and an explanatory research design, supported by descriptive elements, to examine institutional culture's moderating effect on operational practices and budget implementation in six Kenyan county governments (Nakuru, Uasin Gishu, Kericho, Kajiado, Narok, and Baringo). The counties were selected using a stratified purposive approach to capture variation in urban, peri-urban, and rural contexts within a shared institutional framework defined by the Public Finance Management (PFM) Act and the Public Procurement and Asset Disposal (PPAD) Act. Consistent with analytical generalisation principles, the study does not seek statistical representation of all 47 counties but aims to explain relationships within comparable governance settings (Yin, 2018; Bryman, 2016; Creswell & Creswell, 2018). The explanatory design is appropriate given the use of multiple regression and moderation analysis to assess both direct and interaction effects among variables (Creswell & Creswell, 2018).

To account for the influence of organisational context on the effectiveness of technical processes, institutional culture was modelled as a moderating variable rather than as an independent variable. This approach aligns with established methodological practice in social science research, where moderating variables are used to explain variations in the strength or direction of relationships between independent and dependent variables (Creswell & Creswell, 2018). In this study, institutional culture is conceptualised as a higher-order behavioural construct that shapes how operational practices are implemented, thereby affecting their impact on budget implementation.

From a target population of 29,978 county staff, 419 budget implementation officials were identified across three cadres: County Executive Committee Members, Chief Officers, and County Directors. Using the Krejcie and Morgan Table at a 95% confidence level, 217 officials were selected through stratified and purposive sampling, achieving a 79% response rate (172 completed questionnaires). Data were collected via structured questionnaire and analyzed using descriptive statistics and multiple regression in IBM SPSS, with instrument reliability confirmed through Cronbach's alpha (≥ 0.70), validity assessed via factor analysis (loadings ≥ 0.4), and sample adequacy verified using the Kaiser-Meyer-Olkin measure (> 0.5) and Bartlett's Test of Sphericity. The use of inferential statistical techniques is consistent with the study's explanatory design and pragmatist philosophical orientation.

4.0 Results and Findings

This section presents the empirical findings of the study based on descriptive statistics, correlation analysis, regression analysis, and hypothesis testing. The results examine the extent to which institutional culture moderates the relationship between operational practices and budget implementation in selected county governments in Kenya. Out of the targeted 217 questionnaires that were issued to targeted participants, 172 of the issued

questionnaires were completed and returned. This represented a response rate of 79% as summarized.

4.1 Descriptive Analysis

The descriptive findings indicate consensus regarding the operational practices and institutional culture variables across the selected county governments in Kenya. The analysis provides insights into the extent to which these practices and cultural factors are perceived by county officials involved in budget implementation.

4.2 Correlation Analysis

Pearson's correlation coefficients were computed to examine the relationships between the study variables: the dependent variable (Budget Implementation) and the independent variables.

Table 1: Correlation Analysis

Budget Implementation	Operational Finance Practices	Operational Procurement Practices	Operational Control Practices	Operational ICT Practices	Institutional Culture	
Budget Implementation	1	.192*	0.058	0.079	0.131	.325**
Operational Finance Practices	.192*	1	.174*	.166*	.235**	0.059
Operational Procurement Practices	0.058	.174*	1	.194*	0.13	.266**
Operational Control Practices	0.079	.166*	.194*	1	.282**	.326**
Operational ICT Practices	0.131	.235**	0.13	.282**	1	.320**
Institutional Culture	.325**	0.059	.266**	.326**	.320**	1

The findings indicate that Operational Finance Practices had a very weak but positive correlation with Budget Implementation ($r = 0.192$, $p < 0.05$). Similarly, Operational Procurement Practices ($r = 0.058$, $p < 0.05$), Operational Control Practices ($r = 0.079$, $p < 0.05$), and Operational ICT Practices ($r = 0.131$, $p < 0.05$) also demonstrated very weak positive relationships with the dependent variable. In contrast, Institutional Culture exhibited a weak but statistically significant positive correlation with Budget Implementation ($r = 0.325$, $p < 0.01$), suggesting a relatively stronger association compared with the other independent variables.

4.3 Regression Analysis

Multiple regression analysis was conducted to determine the predictive effect of operational practices and institutional culture on budget implementation. Two regression models were computed: Model 1 (without the moderating factor) and Model 2 (with the moderating factor).

Model 1 (Without Moderating Factor)

Table 2: Regression Analysis Model 1

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.214a	0.046	0.023	0.994

a. Predictors: (Constant), Operational ICT Practices, Operational Procurement Practices, Operational Finance Practices, Operational Control Practices

The ANOVA results indicate that the model is statistically significant, with an F-value of 1.999 and a corresponding p-value of 0.007 ($p < 0.05$). This suggests that the regression

model significantly explains the relationship between the dependent variable and the independent variables.

Table 3: ANOVA (Model 1)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.905	4	1.976	1.999	.007b
	Residual	165.089	167	0.989		
	Total	172.994	171			

a. Dependent Variable: Budget Implementation

b. Predictors: (Constant), Operational ICT Practices, Operational Procurement Practices, Operational Finance Practices, Operational Control Practices

From the coefficients table, the regression model is:

$$Y = 4.788 + 0.119X_1 + 0.010X_2 + 0.016X_3 + 0.064X_4 + \varepsilon$$

Table 4: Regression Coefficients (Model 1)

Model	Unstandardized Coefficients B	Unstandardized Coefficients Error Std.	Standardized Coefficients Beta	t	Sig.	
1	(Constant)	4.788	0.930		5.150	0.000
Operational Finance Practices	Operational Finance Practices	0.119	0.057	0.166	2.109	0.036
	Operational Procurement Practices	0.010	0.059	0.014	0.174	0.862
	Operational Control Practices	0.016	0.051	0.026	0.321	0.748
	Operational ICT Practices	0.064	0.062	0.083	1.028	0.306

a. Dependent Variable: Budget Implementation

The results indicate that Operational Finance Practices had a positive and statistically significant effect on Budget Implementation ($\beta = 0.119$, $p < 0.05$).

Model 2 (With Moderating Factor)

The model summary table reports an adjusted R-squared value of 0.116, indicating that the independent variables accounted for approximately 11.6% of the variation in the dependent variable. While the inclusion of institutional culture improves the explanatory power of the model, the relatively modest adjusted R² indicates that budget implementation in devolved governance systems is influenced by a broader set of institutional and contextual factors beyond the operational variables captured in this study. These may include political dynamics, intergovernmental fiscal delays, leadership capacity, and broader administrative constraints, which are not explicitly modelled but are known to affect public financial management outcomes.

Table 5: Regression Analysis Model 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.377a	0.142	0.116	0.94555	1.514

a. Predictors: (Constant), Institutional Culture, Operational Finance Practices, Operational Procurement Practices, Operational Control Practices, Operational ICT Practices
 b. Dependent Variable: Budget Implementation
 The ANOVA results show that the model produced an F-statistic of 5.499 with a corresponding p-value of 0.000, which is statistically significant at the 5% level ($p < 0.05$).

Table 6: ANOVA (Model 2)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.580	5	4.916	5.499	.000b
	Residual	148.414	166	0.894		
	Total	172.994	171			

a. Dependent Variable: Budget Implementation
 b. Predictors: (Constant), Institutional Culture, Operational Finance Practices, Operational Procurement Practices, Operational Control Practices, Operational ICT Practices
 Based on the coefficients table, the regression model is:
 $Y = 3.881 + 0.137X_1 - 0.043X_2 - 0.034X_3 - 0.002X_4 + 0.238X_5 + \epsilon$.

Table 7: Regression Coefficients (Model 2)

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)		3.881	0.909	4.270	0.000
Operational Finance Practices	0.137	0.054	0.192	2.546	0.012
Operational Procurement Practices	-0.043	0.058	-0.057	-0.750	0.454
Operational Control Practices	-0.034	0.050	-0.054	-0.691	0.491
Operational ICT Practices	-0.002	0.061	-0.003	-0.034	0.973
Institutional Culture	0.238	0.055	0.348	4.319	0.000

a. Dependent Variable: Budget Implementation
 The analysis indicates that both Operational Finance Practices and Institutional Culture had a statistically significant impact on Budget Implementation ($p < 0.05$). A one-unit increase in Institutional Culture corresponds to a 0.238-unit increase in Budget Implementation ($p < 0.001$), with a standardised beta coefficient of 0.348, reflecting a strong positive influence.

The finding that operational procurement, control, and ICT practices did not exhibit statistically significant direct effects—despite their prominence in the literature—suggests that their influence on budget implementation is largely conditional rather than independent. In the context of county governments in Kenya, these practices often operate within institutional environments characterised by capacity constraints, weak enforcement of regulations, and political interference. As a result, their effectiveness depends on the extent to which they are supported by enabling institutional conditions. This is consistent with the observed moderating role of institutional culture, which appears to activate or constrain the functional impact of these operational systems.

4.4 Hypothesis Testing

The moderating effect hypothesis was tested based on the regression results. The null hypothesis stated that Institutional Culture has no significant moderating effect on budget

implementation. The results were statistically significant ($\beta = 0.238$, $p = 0.000$), indicating that a supportive institutional culture enhances budget performance. Since the p-value (0.000) is less than 0.05, the null hypothesis is rejected. The findings confirm that institutional culture significantly moderates the relationship between operational practices and budget implementation, indicating that fostering a positive internal culture can substantially strengthen budgetary outcomes. This result reinforces the conceptual distinction that while operational practices provide the structural mechanisms for budget execution, institutional culture determines the extent to which these mechanisms translate into effective outcomes.

This finding provides further support for the conceptual distinction advanced in this study between operational practices as formal systems and institutional culture as a behavioural context. It suggests that the effectiveness of technical systems in public financial management is not inherent but contingent upon the organisational environment within which they are implemented.

5.0 Conclusions

This study examined the moderating role of institutional culture in the relationship between operational practices and budget implementation in selected county governments in Kenya. The findings demonstrate that while operational practices—specifically finance, procurement, control, and ICT provide the structural mechanisms for budget execution, their effectiveness is significantly conditioned by the institutional culture within which they operate. In particular, the results confirm that institutional culture exerts a statistically significant moderating effect, indicating that the presence of strong accountability norms, coordination, and ethical orientation enhances the impact of operational systems on budget outcomes.

Notably, the study also finds that the overall explanatory power of the model remains limited, indicating that budget implementation is shaped by a complex interplay of operational, institutional, and contextual factors. While operational practices and institutional culture are important determinants, a substantial proportion of variation in budget outcomes is likely driven by factors such as political oversight dynamics, fiscal transfer delays, and administrative capacity constraints. This underscores the need to conceptualise budget implementation in devolved systems as a multi-layered governance process rather than a purely technical function.

The study further reveals that weaknesses in budget implementation are not primarily attributable to deficiencies in legal or regulatory frameworks, which are largely standardised across counties, but rather to inconsistencies in how operational practices are implemented. These inconsistencies are shaped by organisational behaviour, including levels of compliance, teamwork, and leadership commitment. As such, the findings reinforce the argument that formal systems alone are insufficient to guarantee effective budget execution.

From a theoretical perspective, this study contributes to the literature on public financial management and decentralised governance by empirically demonstrating that institutional culture functions as a higher-order conditioning variable rather than as an operational component. By clearly distinguishing between formal practices and behavioural context, the study extends institutional theory into the domain of budget implementation and provides a more nuanced explanation of why similar operational systems yield different outcomes across county governments.

Empirically, the study strengthens existing evidence on budget implementation in devolved systems by integrating operational and behavioural dimensions within a single analytical framework. Unlike prior studies that examine financial management, procurement, or internal controls in isolation, this study demonstrates that their effectiveness depends on the broader institutional environment, thereby offering a more comprehensive understanding of budget performance in subnational governments. By demonstrating that operational practices alone have limited explanatory power unless conditioned by institutional culture, the study provides a refined explanatory model for budget implementation in decentralised governance systems.

From a policy perspective, the findings suggest that reforms aimed at improving budget implementation should move beyond strengthening technical systems and regulatory compliance to include deliberate efforts to cultivate a performance-oriented institutional culture. This includes promoting accountability, enhancing interdepartmental coordination, and reinforcing ethical standards within county governments. Such interventions are critical not only for Kenyan county governments but also for other decentralised governance systems facing similar challenges in translating formal frameworks into effective service delivery outcomes.

6.0 Recommendations

Based on the research results, the following solutions are made to enhance budget implementation in Kenya's county governments:

Strengthen Internal Controls: County governments should establish a strict internal controls culture to ensure full compliance with reporting and control requirements under Regulations 22(1)(b), 22(2)(a), and 131 of the PFM (County Governments) Regulations, 2015, as well as Sections 149, 164, and 166 of the PFM Act, 2012. The Controller of Budget shall aggressively monitor compliance by reviewing quarterly budget implementation reports (Section 9, Controller of Budget Act) to detect chronic noncompliance and suggest remedial measures or fines.

Institutionalize Procurement Planning and Compliance: To comply with Regulation 40(1) and Section 53(2) of the Public Procurement and Asset Disposal Act of 2015, counties must adopt a procurement planning and budgeting culture. Misuse of direct procurement (Regulation 90; Section 103) and failing to notify awards (Regulation 131; Section 138) must be thoroughly examined. The Controller of the Budget shall withhold financial authorization for withdrawals related to non-compliant procurement practices.

Foster Proactive Risk Management: In line with Regulation 22(1)(b) and Section 149 of the PFM Act, counties shall establish a proactive risk management culture. Noncompliance with audit findings (under Regulation 22(2)(b) and Section 53 of the Public Audit Act) should result in accountability measures. Compliance with these standards should influence the Controller of Budget's assessment of fund release requests and budget implementation reports.

Fully Implement Digital Financial Systems: Counties must fully operationalize IFMIS and e-procurement systems, as required by Regulation 40(1), to allow real-time budget monitoring. These systems should be reviewed and reported to the Controller of Budget to ensure that budget implementation is transparent, efficient, and accurate.

Amend the Controller of Budgets Act: Section 5 should be amended to include a new subsection (ba): "Notwithstanding subsections (a) and (b), the Controller shall not approve any requisition for withdrawal of funds unless the county government submits verifiable

evidence that previously authorized and disbursed funds were used strictly according to the approved requisition and for the intended purposes." This change will promote a strict financial management culture and increase accountability.

Cultivate an Ethical and Performance-Driven Institutional Culture: County governments should invest in building institutional cultures that value ethical leadership, collaboration, responsibility, and performance. This entails providing systematic training programs for county officials, setting clear ethical norms, encouraging collaborative work cultures, and recognizing and rewarding ethical conduct and excellent performance.

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