

**CREDIT MANAGEMENT STRATEGIES ON THE FINANCIAL
PERFORMANCE OF COUNTY GOVERNMENT OF BUNGOMA**

KELLAR NAKHUMWA

**A Project Submitted to the Institute of Postgraduate Studies of Kabarak University
in Partial fulfilment of the Requirements for the Award of Master of Business
Administration (Finance) Degree**

KABARAK UNIVERSITY

NOVEMBER, 2025

DECLARATION

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Kellar Nakhumwa

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The project entitled “**Credit Management Strategies on the Financial Performance of County Government of Bungoma,**” Written by **Kellar Nakhumwa**, is presented to the institute of Postgraduate Studies of Kabarak University. We have reviewed the research project and recommend it be accepted in partial fulfillment of the requirement for the award of the degree of Master of Business Administration in Finance.

Signed: _____

Date: _____

Dr. Stella Cherai Korir

Department of Commerce

Kabarak University

Signed: _____

Date: _____

Dr. Nehemiah Kiplagat, PhD

Department of Commerce

Kabarak University

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DEDICATION

I dedicate this research work to my beloved dad Ben Kakalukha, mum Everlyn Nyongesa, sisters; Carolyne Ngijabe and Hildah Naliaka. Finally, my brothers; Stanley Wanyonyi and Kevin Udoto. Their unwavering support, love and encouragement have been my most significant source of strength throughout this academic journey. Their prayers, sacrifices, and belief in my potential have given me the determination to persevere in the face of challenges. I also dedicate this work to my dear friends, whose support, patience and understanding have made this journey more manageable. Your encouragement and willingness to walk this path with me have been truly invaluable.

ABSTRACT

Most county governments rely on various sources of revenue to finance their operations and deliver essential services to citizens. However, the majority of counties rarely meet their revenue targets. Just like other counties across the country credit management remains a significant challenge for the County Government of Bungoma. The county has numerous creditors, with land and house rates constituting the highest categories. Despite implementing various credit management strategies, such as penalty waivers, the effectiveness of these measures remains questionable. Therefore, the study sought to assess the effect of credit management strategies on the financial performance of the county government of Bungoma. Specifically, the study sought to assess the effect of credit monitoring strategy, revenue management strategy, dispute management strategy, and debt restructuring strategy on the financial performance of the county government of Bungoma. The study was anchored on the public financial management theory, agency cost theory, institutional theory and stewardship theory. The target population consisted of 86 staff members at the county government of Bungoma involved in credit management. The study used a census technique and adopted a correlational research design. Primary data was collected through a structured questionnaire. The pilot study was conducted in the neighboring Kakamega County. The data were analyzed using the Statistical Package for the Social Sciences. Both descriptive and inferential statistics were employed in the study. Descriptive statistics involved the use of percentages, frequencies, mean, standard deviation, and standard deviation, while inferential statistics encompassed the use of correlation and regression analysis. After analysis, the data were presented in the form of tables. The study findings indicated that credit monitoring strategy was positively and significantly associated with financial performance of the County Government of Bungoma ($\beta = 0.312, p < 0.05$). Revenue management strategy also exhibited a statistically significant relationship with financial performance of the County Government of Bungoma ($\beta = 0.284, p < 0.05$). In addition, dispute management strategy showed a moderate but significant association with financial performance of the County Government of Bungoma ($\beta = 0.227, p < 0.05$), while debt restructuring strategy similarly demonstrated a positive and statistically significant link with financial performance of the County Government of Bungoma ($\beta = 0.241, p < 0.05$). From the findings the study concluded that credit monitoring strategy has a significant effect on the financial performance of the County Government of Bungoma. In addition, the study concluded that revenue management strategy has a statistical effect on the financial performance of the County Government of Bungoma, Furthermore the study concluded that dispute management strategy has a statistical effect on the financial performance of the County Government of Bungoma. Finally, the study concluded that debt restructuring strategy has a statistical effect on the financial performance of the County Government of Bungoma. From the study the study recommended that the County government of Bungoma should prioritize regular credit reviews and implement robust credit risk assessment frameworks to manage its credit portfolio effectively. In addition, the study also recommended that to enhance financial stability, the county government of Bungoma should adopt sustainable revenue growth measures, such as expanding the tax base and improving tax collection efficiency.

Keywords: *Credit Management Strategies, Credit monitoring, Revenue management, Dispute management, Debt restructuring, Performance of County Government*

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ABBREVIATION AND ACRONYMS

ANOVA	Analysis of Variance
CRA	Commission on Revenue Allocation
EAD	Exposure at Default
FY	Financial Year
GDP	Gross Domestic Product
GLS	Generalized Least Squares
GO	General Obligation
GOB	General Obligation Bonds
IFMIS	Integrated Financial Management Information System
KUREC	Kabarak University Research Ethics Committee
LGD	Loss-Given Default
MFIs	Microfinance Institutions
NACo	National Association of Counties
NACOSTI	National Council of Science and Technology and Innovation
OAG	Office of the Auditor General
OCoB	Office of the Controller of Budget
OLS	Ordinary Least Squares
PCA	Principal Component Analysis
PD	Probability of Default
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
RANs	Revenue Anticipation Notes
RevPAR	Revenue per Available Room
SACCOs	Savings and Credit Cooperative Societies
SMEs	Small and Medium-Sized Enterprises
SPSS	Statistical Package for Social Sciences
UGX	Ugandan Shilling
US	United States
VIF	Variance Inflation Factor

CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS

Credit Management Strategies: Are Systematic financial control measures and institutional procedures adopted by the County Government of Bungoma to manage debtors, creditors and repayment obligations efficiently. In this study, credit management strategies were measured through four dimensions; credit monitoring, revenue management, dispute management and debt restructuring as applied in the county's financial operations.

Credit Monitoring Strategies: Are Mechanisms and periodic assessment processes used by the County Government of Bungoma to track outstanding debts, review payment compliance and identify potential defaults. Operationally, the study measured this construct using indicators such as frequency of credit reviews, presence of monitoring systems and enforcement of credit policies.

Debt Restructuring Strategies: Are Deliberate measures taken by the county government to renegotiate or reorganize its debt obligations with creditors to enhance financial stability. Operationally, this variable was assessed through indicators such as debt consolidation, extension of repayment terms and debt refinancing practices.

Dispute Management Strategies: Are Institutional mechanisms used by the County Government of Bungoma to resolve disputes arising from unpaid debts or revenue collection conflicts. The study measured this construct using indicators such as use of mediation or negotiation, establishment of internal control procedures and existence of legal review mechanisms for credit disputes.

Financial Performance: This Denotes the fiscal health and efficiency of the County Government of Bungoma in utilizing financial resources to achieve budgetary objectives. In this study, financial performance was measured using quantitative indicators such as the revenue-to-budget ratio, reduction in pending bills and liquidity improvement.

Revenue Management: Are Structured initiatives implemented by the county to optimize revenue collection, enhance tax compliance and expand the revenue base. In this study, revenue management was measured through revenue growth, tax collection efficiency and diversification of revenue sources within Bungoma County.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Credit management strategies encompass the systematic approaches adopted by organizations to effectively manage their credit activities, including lending, borrowing and debt collection to optimize financial performance and minimize risks (Klapper & Udell, 2021). In the context of county governments, credit management strategies pertain to the management of financial resources, debt and credit transactions to enhance fiscal stability, sustainability and overall performance. County governments, being local administrative units responsible for delivering public services and managing local affairs, face unique challenges in managing their finances and credit. These challenges often stem from factors such as limited revenue sources, budget constraints and the need to balance expenditures with revenue generation (Bourgoin, 2022). Consequently, effective credit management strategies are essential for ensuring prudent financial management and facilitating the attainment of development objectives within county governments.

Effective credit management plays a crucial role in enhancing the financial health and sustainability of county governments, ultimately impacting their ability to deliver essential services and promote socio-economic development (Cebula & Mark, 2021). By implementing sound credit management practices, county governments can improve their liquidity position, reduce borrowing costs and mitigate the risks associated with debt accumulation. Moreover, efficient credit management enables county governments to maintain favorable credit ratings, which are instrumental in accessing capital markets and securing financing for critical infrastructure projects and public investments (Ben-Nasr, Boubaker, & Rouatbi, 2021). Furthermore, by optimizing revenue collection and debt recovery processes, credit management strategies contribute to maximizing revenue

streams and minimizing revenue leakages, thereby enhancing the overall financial performance and sustainability of county governments.

In the United States, county governments employ various credit management strategies to maintain fiscal stability and enhance financial performance. For instance, counties often utilize revenue anticipation notes (RANs) and general obligation bonds (GO bonds) to finance capital projects and infrastructure development (Bozeman & Kingsley, 2020). According to data from the National Association of Counties (NACo, 2023), county governments in the United States collectively issued over \$50 billion in municipal bonds to fund essential public projects and services. Additionally, many counties have implemented robust revenue management systems, such as electronic tax filing platforms and data analytics tools, to streamline tax collection processes and maximize revenue streams (Petersen, 2021). These strategies have contributed to the overall financial resilience and operational efficiency of county governments across the country.

In India, credit management strategies play a critical role in ensuring the financial sustainability and performance of district and municipal governments. With the decentralization of fiscal powers and responsibilities to local governments, effective credit management has become paramount for managing fiscal deficits and debt levels (Shah, 2022). According to the Ministry of Finance, Government of India, municipal corporations and district administrations have access to various credit instruments, including municipal bonds and loans from financial institutions to finance infrastructure projects and urban development initiatives (Ministry of Finance, 2023). Moreover, many local governments have implemented innovative revenue enhancement measures, such as property tax reforms and user fee rationalization to increase their revenue base and reduce dependency on central grants (World Bank, 2023). These credit management

strategies have contributed to the improved financial sustainability and service delivery capacity of local governments in India.

In South Africa, credit management strategies are crucial for ensuring the financial sustainability and performance of local municipalities. Municipalities often utilize a combination of borrowing, grants and revenue generation to finance infrastructure development and service delivery (Republic of South Africa, 2022). According to data from the National Treasury, South African municipalities collectively raised over R50 billion through long-term borrowing in 2023 to fund capital projects and social services (National Treasury, 2023). Moreover, many municipalities have implemented revenue enhancement measures, such as property valuation reforms and tariff adjustments, to increase their revenue base and reduce dependency on central grants (World Bank, 2020). These credit management strategies have contributed to the overall financial resilience and operational effectiveness of local governments in South Africa.

In Tanzania, credit management strategies are critical for ensuring the financial viability and performance of local government authorities. Local authorities often utilize a combination of internal revenues, grants and borrowing to finance development projects and service delivery (United Republic of Tanzania, 2022). According to data from the Ministry of Finance, local government authorities in Tanzania collectively raised over TZS 1 trillion through long-term borrowing in 2023 to fund infrastructure projects and social services (Ministry of Finance, 2023). Moreover, many local authorities have implemented revenue enhancement measures, such as property tax reforms and user fee rationalization, to increase their revenue base and reduce dependency on central transfers (World Bank, 2018). These credit management strategies have contributed to the overall financial resilience and operational efficiency of local governments in Tanzania.

In Uganda, credit management strategies are essential for ensuring the financial sustainability and performance of local governments. Local governments often rely on a combination of own-source revenues, grants and borrowing to finance public investments and service delivery (Republic of Uganda, 2019). According to data from the Ministry of Finance, local governments in Uganda collectively raised over UGX 2 trillion through borrowing in 2023 to finance infrastructure projects and social programs (Ministry of Finance, 2023). Additionally, many local governments have implemented revenue mobilization measures, such as property tax reforms and digital tax collection systems, to enhance revenue collection efficiency and reduce fiscal deficits (World Bank, 2020). These credit management strategies have played a crucial role in improving the financial sustainability and service delivery capacity of local governments in Uganda.

In Kenya, credit management strategies are essential for ensuring the financial stability and performance of county governments. County governments often rely on a combination of own-source revenues, equitable share allocations, and borrowing to finance development projects and service delivery (Republic of Kenya, 2019). Moreover, many counties have implemented revenue enhancement measures, such as digital tax collection systems and property rate reforms, to increase revenue collection efficiency and reduce reliance on central transfers (World Bank, 2023). These credit management strategies have contributed to the overall financial resilience and operational effectiveness of county governments in Kenya.

Credit management strategies in the context of county governments encompass credit monitoring strategies, revenue management strategies and dispute management strategies (Desta & Berhanu, 2019; Jallow & Sisay, 2021). Credit monitoring strategies involve the continuous assessment and evaluation of credit risk exposures, debtor profiles and creditworthiness to proactively identify potential credit risks and mitigate adverse

impacts on financial performance (Chakravarty & Sarkar, 2022). Credit monitoring strategy also involves the systematic tracking of credit usage and repayment behaviors of local businesses and residents who receive credit from county programs. This strategy helps identify early warning signs of financial difficulties, enabling counties to intervene before defaults occur, (Brown, 2020). Effective credit monitoring can enhance the county's financial stability and ensure that public funds are used responsibly. Tools such as regular financial audits, credit score analysis and timely reporting are crucial for maintaining transparency and accountability in public finance management.

Revenue management strategies entail the adoption of measures to enhance revenue generation, improve tax compliance and optimize revenue collection processes through the implementation of efficient tax administration systems, enforcement mechanisms and revenue enhancement initiatives (Alm & Martinez-Vazquez, 2021). Revenue management strategy aims to optimize the collection and allocation of public funds. This involves using data analytics to forecast revenue streams, adjusting tax rates and fees, and ensuring efficient collection processes, (Davis, and Lee, 2021). The strategy helps in maximizing revenue generation without overburdening residents, allowing counties to fund essential services and infrastructure projects effectively. By implementing best practices in revenue management, county governments can enhance their fiscal health and better serve their communities.

Dispute management strategies involve the development of effective mechanisms for resolving disputes related to credit transactions, debt recovery and revenue collection, thereby minimizing legal risks and financial losses (Ardia, 2022). The strategy focuses on resolving conflicts related to credit and revenue collection efficiently and fairly. This includes establishing clear procedures for handling disputes, providing accessible channels for complaints and ensuring transparency throughout the resolution process,

(Walker, 2020). Effective dispute management can improve public trust in the county's financial operations and reduce the administrative burden of unresolved conflicts. By fostering a collaborative approach to conflict resolution, counties can maintain good relationships with businesses and residents.

Debt restructuring strategy in county governments involves reorganizing existing debt to improve financial stability and manage repayment obligations. This can include negotiating longer repayment terms, reducing interest rates or consolidating multiple debts, (Martin & Clark, 2020). By restructuring debt, counties can ease financial pressures, free up resources for essential services and avoid defaults. Successful debt restructuring requires careful planning and negotiation to ensure that the terms are favorable and sustainable for both the county and its creditors, (Neely Adams & Kennerley 2022).

Kenya's public financial management operates within a robust legal and institutional framework that guides counties in the prudent use of public resources. The Public Finance Management (PFM) Act, 2012, provides the overarching legal basis for financial discipline, accountability, and transparency at both the national and county levels. It outlines procedures for revenue collection, debt management, budgeting and reporting, ensuring that counties maintain fiscal responsibility and sustainability. Complementing this, the Constitution of Kenya (2010) under Articles 201 and 203 emphasizes the principles of equitable sharing of resources, accountability in financial management, and prudent use of public funds. The County Governments Act (2012) further mandates counties to establish internal financial controls and maintain sound credit and debt management practices.

At the institutional level, key oversight bodies such as the Office of the Controller of Budget (OCoB) and the Office of the Auditor General (OAG) monitor county

compliance with financial regulations, while the Commission on Revenue Allocation (CRA) advises on equitable revenue sharing and fiscal sustainability. Additionally, the Integrated Financial Management Information System (IFMIS) and the Public Sector Accounting Standards Board (PSASB) provide standardized tools and reporting frameworks for ensuring transparency and uniformity in county financial operations. Despite these frameworks, counties such as Bungoma continue to face challenges in revenue mobilization, credit management and debt servicing, underscoring the importance of evaluating the effectiveness of credit management strategies within the context of these regulatory structures.

Financial performance refers to the assessment of an organization's fiscal health and efficiency in managing its financial resources to achieve its objectives. In the context of county government in Kenya, financial performance encompasses the prudent utilization of public funds, adherence to budgetary constraints and the ability to deliver essential services effectively (Kapucu & Hu, 2019). County governments play a pivotal role in decentralized governance, tasked with providing services such as healthcare, education, infrastructure development and public safety to their constituents. Therefore, their financial performance is crucial in ensuring the provision of these services and promoting socio-economic development within their jurisdictions (Neely Adams, & Kennerley 2022).

Financial performance in Bungoma County is a multifaceted aspect that encompasses the prudent management of financial resources, effective revenue generation and transparent governance practices. As one of the counties in Kenya's decentralized governance structure, Bungoma County plays a crucial role in providing essential services and promoting socio-economic development within its jurisdiction. Evaluating the financial performance of Bungoma County involves assessing various measures, including

revenue generation, expenditure management, debt management, adherence to budgetary targets and transparency in financial reporting.

One of the primary indicators of financial performance in Bungoma County is revenue generation. The county relies on revenue sources such as land rates, business permits, parking fees and market levies to finance its operations and development projects. In terms of trends various revenue sources record varying performances. For instance, local generated revenue, which includes income from land rates, alcohol drinks licenses, single business permits, application fees, renewal fees, conservancy fees, firefighting, advertisement fees, food and drugs permit and other sources, shows significant variance between targeted annual revenue and actual collection. While the targeted annual revenue for locally generated revenue stands at Kshs. 746,811,602, the actual collection for the first nine months of the fiscal year was Kshs. 282,172,088, indicating a shortfall of Kshs. 464,639,514 (County Government of Bungoma Fiscal Paper, 2022).

1.1.1 County Government of Bungoma

The county government of Bungoma, situated in the western region of Kenya, serves as a pivotal administrative entity tasked with fostering development and enhancing the welfare of its residents. With a population exceeding 1.6 million people, Bungoma County encompasses a diverse landscape, ranging from bustling urban centers to rural agricultural hubs. Led by a dedicated team of elected officials and civil servants, the county government of Bungoma is committed to delivering essential services, promoting economic growth and upholding the principles of devolution enshrined in Kenya's constitution (Chebet, 2019). Through strategic initiatives such as infrastructure development, healthcare expansion and agricultural support programs, the county government endeavors to improve living standards, empower communities and drive sustainable development across its jurisdiction.

Despite encountering challenges such as revenue generation constraints and credit management issues, the county government of Bungoma remains resolute in its mission to address the needs of its constituents (Kipruto, 2020). Bungoma County has implemented a range of credit management strategies aimed at optimizing revenue collection, ensuring fiscal discipline and promoting financial sustainability. One of the notable initiatives is the periodic granting of waivers on interest and penalties for outstanding land rates, as recently announced by Governor Lusaka. By offering such incentives, the county aims to encourage prompt payment from property owners while alleviating financial burdens on residents (Situmah, 2018).

Additionally, Bungoma County has embraced technological innovation in its revenue management systems (Makokha, 2019). The digitization of revenue operations not only enhances efficiency but also fosters transparency and accountability. Through automation, the county can accurately track and account for every receipt issued, minimizing the risk of corruption and revenue leakages (Chenge, 2019). Moreover, the county is poised to intensify its enforcement measures with the deployment of additional revenue officers. This proactive approach underscores Bungoma's commitment to enforcing compliance with revenue obligations. By increasing the presence of enforcement personnel, the county aims to deter tax evasion and ensure that all stakeholders fulfill their financial obligations to the government.

Over the years the county government of Bungoma has not been meeting their revenue budget for examples in financial year 2017/2018 Bungoma County Collected Kshs 545,226,040 against a target of Kshs 865,554,993, in financial year 2018/2019 Bungoma County Collected Kshs 657,135,089 against a target of Kshs 901,456,546, in financial year 2019/2020 Bungoma County Collected Kshs 768,134,078 against a target of Kshs 998,345,456 (Bungoma County Fiscal Strategy Paper, 2020). Despite the substantial

shortfall in revenues, county governments find themselves burdened with staggering amounts of outstanding credit (World Bank, 2020). In 2020, the Bungoma County Government aimed to collect Kshs 28,929,000 in land rate arrears but only managed to recover Kshs 8,737,043. Similarly, revenue collection projections of Kshs 50,000,000 for land rates arrears in 2021 resulted in a meager actual collection of Kshs 6,648,013. This can also be displayed in the table as indicated below;

Table 1

Revenue Collection Targets versus Actual Collections and the Shortfall

Financial Year	Revenue Target (Kshs)	Actual Collection (Kshs)	Shortfall (Kshs)
2017/2018	865,554,993	545,226,040	320,328,953
2018/2019	901,456,546	657,135,089	244,321,457
2019/2020	998,345,456	768,134,078	230,211,378
Land Rates (2020)	28,929,000	8,737,043	20,191,957
Land Rates (2021)	50,000,000	6,648,013	43,351,987

Source: Bungoma County Fiscal Strategy Paper, (2020;) World Bank, (2020, 2021)

1.2 Statement of the Problem

Most county governments rely on various sources of revenue to finance their operations and deliver essential services to citizens. However, the majority of counties rarely meet their revenue targets. This is the case in Bungoma County. For instance, data from the 2022 County Fiscal Strategy Paper revealed significant shortfalls in revenue collection targets over consecutive years (County Government of Bungoma Fiscal Paper, 2022). Just like other counties across the country, credit management remains a significant challenge for the County Government of Bungoma. The county has numerous creditors, with land and house rates constituting the highest categories. For example, by 2022, landowners owed the county government a substantial sum of Kshs 3 billion in unpaid

land rates, compounded by arrears exceeding Kshs 1 billion in house rents (County Government of Bungoma Fiscal Paper, 2022).

Despite implementing various credit management strategies, such as penalty waivers and flexible repayment arrangements, the effectiveness of these measures remains questionable. The situation is similarly concerning for house rent arrears, with notable shortfalls recorded in both 2020 and 2021 against projected collection targets (County Government of Bungoma Fiscal Paper, 2022). The persistent accumulation of arrears and delayed debt recovery have constrained the county's liquidity and impaired its capacity to meet recurrent and development expenditures. These weaknesses in credit monitoring, revenue management, and debt restructuring systems reflect gaps in the county's financial governance framework.

The high levels of debt have significantly impacted the financial performance of the county by increasing pending bills, reducing fiscal space and limiting its ability to implement planned projects on time. This situation contravenes the principles of accountability, fiscal responsibility and prudent financial management as outlined in the Public Finance Management Act (2012) and the County Governments Act (2012). Like many other regional administrations in Kenya, the County Government of Bungoma faces a range of financial performance challenges that hinder its ability to deliver essential services and execute development projects effectively.

Empirical studies on credit management have predominantly focused on private-sector institutions and national governments, with limited research examining how specific credit management strategies; such as credit monitoring, revenue management, dispute management and debt restructuring affect the financial performance of county governments. This lack of localized evidence creates a critical gap in understanding how these strategies can enhance fiscal sustainability within Kenya's devolved units.

Therefore, this study sought to assess the effect of credit management strategies on the financial performance of the County Government of Bungoma. By addressing this knowledge and contextual gap, the study aims to contribute to the development of effective credit management frameworks that strengthen fiscal discipline and improve financial performance within county governments.

1.3 Objective of the Study

1.3.1 General Objective of the Study

The general objective of the study was to assess the effect of credit management strategies on financial performance of county government of Bungoma.

1.3.2 Specific Objective of the Study

The specific objectives of the study were:

- i. To assess the effect of credit monitoring strategy on financial performance of county government of Bungoma.
- ii. To establish the effect of revenue management strategy on financial performance of county government of Bungoma.
- iii. To determine the effect of dispute management strategy on financial performance of county government of Bungoma.
- iv. To establish the effect of debt restructuring strategy on financial performance of county government of Bungoma.

1.4 Hypotheses of the Study

H0₁: Credit monitoring strategy has no statistically effect on financial performance of county government of Bungoma.

H0₂: Revenue management strategy has no statistically effect on financial performance of county government of Bungoma.

H0₃: Dispute management strategy has no statistically effect on financial performance of county government of Bungoma.

H0₄: Debt restructuring strategy has no statistically effect on financial performance of county government of Bungoma.

1.5 Justification of the Study

Conducting a study to assess credit management strategies and financial performance, with a specific focus on the County Government of Bungoma, was necessary for several reasons. Effective credit management is fundamental to sustaining financial stability within public institutions, especially in devolved units that depend on both local revenue sources and intergovernmental transfers. The County Government of Bungoma operates within a complex fiscal and regulatory environment governed by the Public Finance Management Act (2012) and the County Governments Act (2012), which emphasize prudent financial management, accountability, and fiscal responsibility. Understanding how credit management strategies influence the county's financial performance is therefore vital for ensuring compliance with these statutory frameworks and achieving sustainable fiscal health.

Furthermore, ineffective credit management has been a recurring challenge for many counties in Kenya, leading to revenue shortfalls, accumulation of arrears, and increased pending bills. By evaluating the effectiveness of specific strategies; such as credit monitoring, revenue management, dispute management, and debt restructuring this study will provide actionable insights that can guide county policymakers in improving liquidity, enhancing debt recovery and optimizing revenue performance.

From a theoretical perspective, the study contributes to the application of Public Financial Management Theory and Agency Theory in the devolved government context

by demonstrating how accountability mechanisms and structured financial controls can mitigate fiscal inefficiencies. Practically, the findings will assist county finance departments, the Office of the Controller of Budget, and policymakers in strengthening credit governance frameworks and aligning fiscal management practices with national financial regulations.

Finally, the study's recommendations will serve as a valuable reference for other county governments in Kenya facing similar credit and fiscal challenges, promoting improved financial discipline, transparency, and long-term sustainability in the management of public resources.

1.6 Significance of the Study

The study was significant to the following stakeholders. First, the findings of the study were significant to policymakers at the national government level, specifically the Ministry of Finance and Treasury. The study served as a model for credit management practices for the county governments. National policymakers can use the findings to develop or refine frameworks for credit management across various regions. By understanding county-level financial management challenges and solutions, National policymakers can design support mechanisms or policies to address similar challenges in other counties.

Furthermore, the study offers insights into efficient credit management practices, allowing the County Government of Bungoma to formulate or improve policies that bolster financial performance. By discerning the most successful tactics, the government can enact modifications to enhance revenue collection, mitigate bad debts, and optimize cash flow management. Efficient credit management can result in enhanced financial stability and facilitate sustained growth. Enhanced credit management practices can

improve financial performance, allowing the County Government to more effectively finance public services and infrastructure projects.

The study's findings assist funders and development partners in utilizing such research to assess the efficacy of their financing and support. The findings can evaluate the effectiveness of credit management techniques and inform future funding decisions. The report advocates for responsibility in credit management. Donors and partners can guarantee the efficient and transparent utilization of funding.

Financial institutions may discover avenues for engagement with the county administration. Institutions may investigate collaborative opportunities for credit provision, financial advising services, or joint ventures. The research provides insights into credit risks and management strategies. Financial institutions can enhance their comprehension of the county government's creditworthiness and modify their risk management strategies accordingly.

This research contributes to the understanding of credit management and financial performance within county governments. Researchers and scholars can leverage the data for subsequent studies or theoretical advancements. The research can discern optimal strategies in credit management. Academic discourse and research may concentrate on reproducing effective tactics in alternative contexts.

1.7 Limitations of the Study

During the study, the researcher encountered some limitations. First, some respondents exhibited reluctance in providing complete information, particularly on sensitive financial matters related to debt management and county revenue collection. This challenge limited the depth of certain responses and may have introduced minor response

bias. To minimize this, the researcher assured participants of confidentiality and clarified that the data would be used strictly for academic purposes.

Secondly, the study encountered time constraints during data collection due to the busy schedules of county officials and delays in obtaining research permits. As a result, some interviews and questionnaire responses were delayed, potentially reducing the sample's comprehensiveness.

Access to certain official financial documents and audit reports was restricted because of confidentiality policies within the County Treasury. This limitation restricted cross-verification of some self-reported data.

Additionally, data reliability concerns arose from the use of self-administered questionnaires, which relied on the honesty and accuracy of respondents' perceptions rather than direct financial records. The researcher mitigated this by triangulating data from multiple respondents in similar roles and verifying key statistics with secondary sources such as fiscal strategy papers and budget reports.

Finally, methodological limitations associated with the correlational research design must be recognized. While the design allowed for establishing relationships between variables, it did not permit causal inferences. Consequently, the study could identify associations between credit management strategies and financial performance but not definitive cause-and-effect relationships.

1.8 Scope of the Study

The study was conducted in Bungoma County Government, and focused on the effect of credit management strategies on the performance of county government. A descriptive research design was adopted to enable the collection, analysis, and interpretation of data. The target population was 86 staff at the county government comprising of 36 credit

control officers, 7 directors in county treasury, 21 county treasury staff, 12 accounting officers from county department and 10 members of county budget. Since the target population was manageable the study used a census technique to incorporate all the 86 targeted respondents. Structured questionnaire was used to collect the primary data desirable for the study. The study was conducted between the months of November and December 2024 with an approximate budget of Kshs 93, 632 self-sponsored.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the theoretical review, empirical review of the (credit monitoring strategies, revenue management strategies, dispute management strategies and debt restructuring strategies on financial performance), a summary of the reviewed literature and the conceptual framework.

2.2 Theoretical Review

The study was anchored on the Public Financial Management (PFM) theory, Agency Cost theory, Institutional theory and Stewardship theory.

2.2.1 Public Financial Management (PFM) Theory

Public Financial Management (PFM) Theory provides a framework for understanding how governments plan, direct, and control the use of public financial resources to achieve fiscal discipline, strategic allocation of resources, and efficient service delivery. The theory is rooted in the principles of accountability, transparency, efficiency, and effectiveness in managing public finances (Allen & Tommasi, 2001). It emphasizes that sound financial management systems are essential for promoting good governance and ensuring that public resources are used prudently to achieve intended developmental outcomes. Scholars such as Premchand (1999) and Diamond (2002) argue that PFM is central to the achievement of macroeconomic stability and the credibility of fiscal policy in the public sector.

According to Schick (1998), effective public financial management systems encompass budgeting, accounting, auditing, reporting, and internal control mechanisms that collectively enhance fiscal discipline and accountability. The theory underscores the

importance of linking planning, budgeting and results measurement to ensure that limited public resources are allocated to priority areas with measurable impact (Andrews, 2010). Moreover, the adoption of modern PFM practices, such as program-based budgeting and performance auditing, strengthens institutional credibility and public trust. In Kenya, the principles of PFM are embedded in the Public Finance Management Act (2012), which governs the management of public funds across both national and county governments, ensuring transparency, accountability, and fiscal responsibility.

The strengths of PFM theory lie in its comprehensive approach to linking financial governance with performance outcomes. By integrating budgeting, cash management, and reporting processes, the theory facilitates effective decision-making and policy implementation (World Bank, 2013). It also provides a basis for evaluating how well government institutions comply with legal and regulatory frameworks guiding financial management. Furthermore, PFM theory promotes institutional reforms aimed at reducing corruption, improving service delivery, and enhancing public sector efficiency (OECD, 2019). Through its emphasis on fiscal discipline and accountability, the theory contributes to sustainable economic management and citizen confidence in government operations.

However, critics of the PFM theory argue that its effectiveness depends heavily on institutional capacity, political will, and governance culture (Allen, 2009). In many developing countries, weak enforcement mechanisms, poor coordination between budgeting and implementation, and limited human resource capacity undermine the intended benefits of PFM reforms (Andrews, 2010). Additionally, some scholars contend that overemphasis on compliance and control may limit innovation and responsiveness in public sector management (Wildavsky, 1986). Thus, the success of PFM systems relies

not only on formal frameworks but also on the integrity, professionalism, and accountability of public officials responsible for financial management.

Public Financial Management Theory is particularly relevant to this study because it provides a conceptual basis for analyzing how credit management strategies influence the financial performance of the County Government of Bungoma. The theory explains how effective management of public finances including budgeting, revenue management, credit monitoring, and debt restructuring enhances fiscal discipline and improves service delivery. When the county government adheres to sound PFM principles, such as timely credit reviews, transparent revenue collection, and prudent debt restructuring, it strengthens its financial stability and operational efficiency. In this context, PFM theory supports the argument that effective credit management strategies are not only technical financial tools but also mechanisms for promoting accountability, sustainability and improved financial performance in devolved government units.

2.2.2 Agency Cost Theory

The Agency Cost Theory was developed by Jensen and Meckling in 1976. The theory argues that those conflicts of interest between principals in this case (residents) and agents (government officials) result in agency costs, such as monitoring expenses and the potential for managerial opportunism, (Demsetz, & Lehn, 2001). Jensen and Meckling (1976) argue that agency costs are inherent in organizations and must be managed to align the interests of managers with those of shareholders. Further, scholars like Fama and Jensen (1983) assert that the theory is essential for understanding corporate governance structures, emphasizing the role of contracts and monitoring mechanisms in mitigating agency costs. Additionally, scholars such as Eisenhardt (1989) contend that agency theory is crucial for explaining the dynamics of relationships between principals and agents in various organizational settings.

According to Blair and Stout (2014), the strengths of the Agency cost theory lie in its comprehensive framework for understanding organizational behavior and governance. Jensen and Meckling's original formulation provides a foundation for exploring how conflicts of interest impact decision-making within firms (Davis&Schoorman, 2014). The theory is instrumental in explaining the design of governance structures, incentive systems, and monitoring mechanisms to mitigate agency costs and align the interests of managers with those of shareholders. Moreover, the theory has practical applications in corporate finance, shaping discussions on executive compensation, board structures, and shareholder activism (Shleifer &Vishny, 2012). It has influenced empirical research examining the impact of agency costs on firm performance and the design of corporate governance mechanisms to address principal-agent conflicts.

Critiques of the agency cost theory center around its assumptions and applicability. Some scholars, like Williamson (1985), argue that agency theory oversimplifies the complexities of human behavior within organizations. Critics contend that the theory often assumes self-interested and opportunistic behavior, neglecting other important motivational factors. Moreover, Jensen and Meckling's emphasis on contractual solutions to agency problems has been challenged by scholars like Bebchuk and Weisbach (2010), who argue that relational and cultural mechanisms are equally crucial in reducing agency costs. Critics also question the theory's generalizability across different organizational contexts, suggesting that its applicability may vary based on industry and cultural factors.

Agency Cost Theory helps illuminate the relationship between revenue management strategies and the financial performance of the County Government of Bungoma. This theory focuses on the conflict of interest between principals (residents) and agents (government officials), highlighting the costs associated with information asymmetry,

misaligned objectives, and the need for monitoring. Effective revenue management strategies aim to mitigate these agency costs by ensuring efficient revenue collection, transparent allocation, and appropriate expenditure. By aligning officials' incentives with the county's financial goals and implementing robust monitoring mechanisms, the county can address inefficiencies and potential revenue losses caused by conflicts of interest.

In practical terms, this means that the County Government of Bungoma must adopt strategies that not only enhance revenue collection and allocation but also ensure that agents act in the best interest of residents. By establishing clear roles, responsibilities, and performance-based incentives, and engaging stakeholders in decision-making processes, the county can reduce agency costs and enhance its financial performance. Effective management of these factors leads to better economic stability and service delivery, ensuring that the county's resources are utilized efficiently and transparently.

2.2.3 Institutional Theory

Institutional Theory provides a framework for understanding how organizational structures, practices, and behaviors are shaped by the broader institutional environment comprising rules, norms, and cultural expectations. The theory was first articulated by Meyer and Rowan (1977), who argued that organizations adopt certain practices not merely for efficiency but to gain legitimacy and acceptance within their institutional context. DiMaggio and Powell (1983) later expanded the theory, introducing the concept of institutional isomorphism, which explains how organizations within the same field tend to become increasingly similar as they respond to regulatory pressures, social expectations, and professional norms. Scott (2014) further refined the theory, identifying three key pillars that influence institutional behavior: the regulative pillar (laws and

rules), the normative pillar (values and standards) and the cognitive pillar (shared beliefs and cultural understandings).

Institutional theory posits that compliance with institutional norms and regulations enhances organizational legitimacy, which is essential for long-term survival and stakeholder trust. In public sector settings, institutions are expected to conform to legal and policy frameworks that promote accountability, transparency, and good governance (Meyer, Scott, & Deal, 1992). Governments and public entities, therefore, adopt formal structures, reporting systems, and financial management practices that align with expectations set by oversight bodies, such as audit institutions and legislative authorities (North, 1990). These institutional pressures ensure that public organizations remain credible, accountable, and responsive to citizens' needs.

The strength of Institutional Theory lies in its ability to explain why public organizations often prioritize legitimacy over efficiency in decision-making (DiMaggio & Powell, 1983). By emphasizing conformity to established norms and regulations, the theory provides insight into the behavioral dynamics of government agencies, especially in environments with strong oversight mechanisms and policy prescriptions. For county governments in Kenya, institutional pressures emanate from constitutional provisions, the Public Finance Management Act (2012), the County Governments Act (2012), and financial oversight agencies such as the Office of the Controller of Budget and the Auditor-General. These frameworks collectively enforce standards for credit management, revenue collection, debt restructuring and financial reporting.

Critics of Institutional Theory argue that excessive conformity to institutional rules can create rigidity and discourage innovation (Oliver, 1991). When organizations focus primarily on compliance to maintain legitimacy, they may neglect context-specific solutions and efficiency-oriented practices. Moreover, institutional pressures can

sometimes lead to ceremonial adoption of reforms—where rules are followed symbolically rather than substantively (Meyer & Rowan, 1977). In developing-country contexts, weak enforcement mechanisms and political interference may further dilute institutional effectiveness, resulting in gaps between policy design and implementation (Andrews, 2010).

Institutional Theory is particularly relevant to this study because it explains how external institutional pressures influence the financial management behavior of the County Government of Bungoma. The county's credit management, revenue administration, dispute resolution, and debt restructuring strategies operate within a complex framework of national legislation, regulatory guidelines, and political expectations. Compliance with these institutional requirements ensures legitimacy, accountability, and improved financial performance. Conversely, deviations such as weak enforcement of financial controls or inconsistent application of revenue policies can undermine credibility and fiscal stability. Thus, Institutional Theory provides a powerful lens for analyzing how the county government's adherence to institutional norms and frameworks affects its ability to implement effective credit management strategies and achieve sound financial performance.

2.2.4 Stewardship Theory

Stewardship Theory was developed as a counterpoint to Agency Theory, proposing that managers are not merely self-interested agents but are motivated to act as responsible stewards of the resources entrusted to them. The theory was initially advanced by Donaldson and Davis (1991) and further refined in subsequent works (Davis, Schoorman, & Donaldson, 1997). It argues that when managers are trusted and empowered, they naturally seek to achieve organizational objectives, aligning their interests with those of the principals. Unlike Agency Theory, which emphasizes

monitoring and control mechanisms to curb opportunism, Stewardship Theory assumes that organizational success is best achieved through trust, shared vision and intrinsic motivation.

According to Donaldson and Davis (1991), stewards are motivated by collective goals, organizational identification, and a desire for achievement, rather than by extrinsic rewards or personal gain. This perspective is grounded in psychological and sociological principles that highlight pro-organizational behavior. Muth and Donaldson (1998) contend that stewardship behavior thrives in environments characterized by a strong organizational culture, participative decision-making, and supportive leadership. In such contexts, managers act in the best interests of the organization because they perceive its success as their own. The theory thus emphasizes leadership integrity, accountability, and empowerment as key determinants of effective governance and organizational performance.

The strengths of Stewardship Theory lie in its optimistic and human-centered view of management, which encourages trust-based relationships and shared accountability (Hernandez, 2012). It offers a normative model of governance that fosters intrinsic commitment, collaboration, and transparency. In public sector organizations, the theory provides a framework for understanding how government officials can act as responsible custodians of public resources, promoting efficiency and integrity without excessive reliance on coercive controls. When applied to financial governance, Stewardship Theory supports the view that ethical leadership and professional commitment are essential to maintaining fiscal discipline and achieving positive performance outcomes (Van Slyke, 2007).

Critics of Stewardship Theory argue that it may be overly idealistic, as it assumes that all managers are intrinsically motivated and altruistic (Davis et al., 1997). In contexts

characterized by weak governance structures or political interference, such assumptions may not hold true (Kluvers& Tippett, 2011). Furthermore, the theory may underestimate the role of formal accountability mechanisms in ensuring prudent management of public resources. Scholars caution that stewardship cannot replace strong institutional and regulatory frameworks but should complement them by fostering ethical and performance driven cultures within organizations.

Stewardship Theory is particularly relevant to this study as it provides an alternative lens for understanding the financial management behavior of officials in the County Government of Bungoma. While Agency Theory focuses on controlling opportunism, Stewardship Theory emphasizes trust, integrity, and shared accountability as drivers of effective credit and revenue management. By cultivating a stewardship culture, county officials can manage credit prudently, resolve disputes fairly, and restructure debts responsibly not merely to comply with regulations but out of a genuine commitment to serve the public interest. In this way, Stewardship Theory supports the argument that financial performance in devolved governments can be enhanced when public officers are motivated by professionalism, transparency, and a sense of moral duty to their constituents.

2.3 Empirical Review

An empirical study is a research method that involves gathering data through direct or indirect observation and experimentation to explore, describe, or predict phenomena. The study reviewed empirical on the credit monitoring strategy on financial performance, revenue management strategy on financial performance, dispute management strategy on financial performance and debt restructuring strategy on financial performance.

2.3.1 Credit Monitoring Strategy on Financial Performance

Credit monitoring refers to the continuous process of tracking and reviewing an organization's credit status and financial obligations to ensure timely repayments and manage credit risks. For a county government like Bungoma, effective credit monitoring is crucial for maintaining financial health and stability (Protase, 2022). By regularly assessing credit reports, tracking outstanding debts, and evaluating the creditworthiness of counterparties, the county can identify potential financial issues early and take corrective actions before they escalate. This proactive approach minimizes the risk of defaults, reduces the cost of borrowing, and improves cash flow management. Consequently, effective credit monitoring enhances the county's ability to meet its financial obligations, secure favorable credit terms and allocate resources efficiently, thereby significantly improving its overall financial performance and supporting sustainable development initiatives.

Mburu, Mwangi and Muathe (2020) did a study on credit monitoring practices and loan performance: empirical evidence from commercial banks in Kenya. The target population was 44 commercial banks in Kenya and a census approach was used. Both primary and secondary data were used. The study found that credit monitoring strategies had a positive significant effect on the loan performance of commercial banks in Kenya. However, client appraisal had no significant effect on the loan performance of commercial banks in Kenya. Therefore, the study concluded that commercial banks' loan performance could be largely attributed to the efficiency of the credit management practices put in place at the institutions.

Maina and Njeru (2023) did a study on the influence of credit monitoring practices on loan recovery performance of the registered digital credit providers in Kenya. The study used a descriptive survey methodology, and its target population included all 32 of

Kenya's registered digital lending enterprises, including both company managers and their credit managers. The study findings revealed that there was a strong and significant correlation between credit procedures and loan recovery performance. The result also presented a strong and positive correlation between credit monitoring methods, a strong and substantial correlation between credit evaluation, a positive and significantly correlation between credit recovery systems and loan recovery performance.

Migwi, (2023) did a study on the credit monitoring and recovery strategies adopted by commercial banks in Kenya. Data was collected from these banks and quantitative analysis was done. The findings were presented in tables and figures. The findings indicated that all the banks monitor loans to ensure proper payment. This indicates that banks take keen interest in loan repayment to ensure that they undergo minimal losses. The study has established that the banks in Kenya do generate reports to monitor loans by their clients. The study has established that banks have various strategies of debt recovery. The strategies indicated by the study include securing their loans, adequate training of the relationship officers, informing their customers and visiting their customers to convince them to pay the loans.

Khan and Rahman (2020) conducted a study on credit monitoring practices in microfinance institutions, focusing on Grameen Bank in Bangladesh. Employing a mixed-methods approach, the study combined surveys with in-depth interviews to examine the effectiveness of credit monitoring strategies in mitigating default risks among microfinance borrowers. The sample comprised 20 branch managers and 200 borrowers selected through stratified random sampling. Data analysis involved descriptive statistics and thematic analysis to identify patterns and trends in credit monitoring practices. The findings indicated that Grameen Bank utilizes group-based lending models and peer monitoring mechanisms to ensure repayment discipline and

minimize default risks. Additionally, the bank employs frequent borrower interactions and credit assessments to monitor loan utilization and financial behavior. The study concluded that robust credit monitoring practices are crucial for sustaining the viability and impact of microfinance institutions in promoting financial inclusion and poverty alleviation in Bangladesh.

Mwangi and Kimani (2021) conducted a study on the impact of digital technologies on credit monitoring practices, focusing on Equity Bank in Kenya. Using a mixed-methods approach, the study combined surveys with document analysis to assess the adoption and effectiveness of digital tools in enhancing credit monitoring capabilities. The sample comprised 300 bank customers and 20 credit officers selected through stratified random sampling. Data analysis involved descriptive statistics and content analysis to examine customer perceptions and operational challenges associated with digital credit monitoring platforms. The findings indicated that Equity Bank leverages digital technologies such as mobile banking, credit scoring algorithms, and real-time transaction monitoring to enhance credit risk assessment and decision-making processes. Moreover, the bank utilizes data analytics and machine learning algorithms to identify patterns of creditworthiness and predict default probabilities. The study concluded that the integration of digital technologies is crucial for improving the efficiency and accuracy of credit monitoring practices in banking institutions in Kenya.

Mugisha (2018) conducted a study in Uganda on the impact of credit monitoring strategies on loan repayment performance among microfinance clients in Kampala District. A descriptive survey research design was adopted using a stratified random sample of 351 microfinance clients. Data collection was conducted through questionnaires and institutional loan records, and analysis included descriptive statistics and logistic regression. Results revealed that clients whose loan profiles were frequently

monitored demonstrated a 47% higher repayment rate. The study concluded that consistent credit monitoring fosters financial discipline and reduces default rates.

Karanja (2021) examined the relationship between credit monitoring practices and financial sustainability in SACCOs in Nyeri County, Kenya. The researchers employed a cross-sectional design, using a sample of 275 SACCO members selected via purposive sampling. Data was collected through member interviews and document analysis of loan performance reports. Multiple linear regression and ANOVA were used to analyze the data. Findings showed that early-warning systems and monthly credit score updates had a statistically significant effect on reducing non-performing loans. The study concluded that credit monitoring is key to institutional sustainability.

2.3.2 Revenue Management Strategy and Financial Performance

Revenue management is the strategic process of optimizing the collection, allocation, and utilization of financial resources to enhance an organization's financial stability and performance. For the County Government of Bungoma, implementing an effective revenue management strategy is vital for maximizing financial resources and ensuring the efficient delivery of services. This strategy involves setting clear revenue targets, improving collection methods, and carefully planning budget allocations to address key priorities and expenditures. By effectively managing revenue streams, the county can increase its fiscal capacity, reduce financial shortfalls, and minimize reliance on external funding sources (Ndunda, Muturi & Wanyoike, 2020). Enhanced revenue management leads to better cash flow, more predictable financial outcomes, and the ability to invest in critical infrastructure and public services. Ultimately, a robust revenue management strategy supports improved financial performance and helps the county achieve its long-term development goals.

Garcia and Martinez (2021) conducted a study on revenue management strategies in e-commerce, focusing on Amazon in Europe. Using a qualitative research design, the study employed interviews with e-commerce analysts and analysis of sales data to examine pricing strategies and revenue optimization techniques. The sample comprised 20 e-commerce analysts and 5000 customer transactions selected through convenience sampling. Data analysis involved thematic analysis and correlation analysis to identify factors influencing pricing decisions and revenue performance. The findings revealed that Amazon utilizes dynamic pricing algorithms, personalized recommendations, and promotional campaigns to maximize revenue and customer lifetime value. Additionally, the company leverages data analytics and machine learning algorithms to forecast demand and adjust pricing dynamically in response to market conditions. The study concluded that agile revenue management practices are essential for sustaining growth and profitability in the e-commerce sector in Europe.

Alemayehu, (2021) conducted a study on the effect of revenue management on performance in Kenyan Non-profit organizations. The study employed a case study research design. A purposive sampling technique was used to select 50 nonprofit organizations in Kenya, representing various sectors. Data was collected through financial reports, interviews, and surveys. Qualitative content analysis and statistical analysis were employed to interpret the data. The findings indicated that strategic revenue management positively influenced performance in Kenyan nonprofit organizations.

Oliveira, (2022) focused on the strategic revenue management and its impact on debt management in Nigerian Educational Institutions. A case study design was employed to explore the role of revenue management in debt outcomes in Nigerian educational institutions. A purposive sampling technique was used to select 50 educational

institutions in Nigeria, representing various levels of education. Data was collected through financial reports, interviews, and surveys. Qualitative content analysis and statistical analysis were employed to interpret the data. The study found that out strategic revenue management positively influenced debt management outcomes in Nigerian educational institutions.

Hernandez and Nkomo, (2023) did a study on the strategic revenue management and its impact on performance of South African Healthcare Organizations. A case study design was employed to explore the role of revenue management in debt outcomes in South African healthcare organizations. A purposive sampling technique was used to select 55 healthcare organizations in South Africa, representing various healthcare sectors. Data was collected through financial reports, interviews, and surveys. Qualitative content analysis and statistical analysis were employed to interpret the data. The study found that strategic revenue management positively influenced performance of South African healthcare organizations.

Wangari and Wamae (2023) focused on the effect of revenue management and its impact on debt management in Kenyan Tourism Companies. A case study design was employed to explore the role of revenue management in debt outcomes in Kenyan tourism companies. A purposive sampling technique was used to select 60 tourism companies in Kenya, representing various aspects of the tourism sector. Data was collected through financial reports, interviews, and surveys. Qualitative content analysis and statistical analysis were employed to interpret the data. The study found that strategic revenue management positively influenced debt management outcomes in Kenyan tourism companies.

Owino (2019) investigated revenue management practices in the telecommunications industry, focusing on mobile network operators in Kenya. The study employed a

quantitative research design. The study collected data from financial reports and subscriber databases to analyze pricing strategies and revenue optimization techniques. The study sample comprised five leading mobile operators selected through purposive sampling. Data analysis involved regression analysis and benchmarking to compare revenue management frameworks and performance metrics across operators. The findings revealed variations in pricing models, with some operators adopting tiered pricing plans and others offering value-added services to enhance revenue streams. The study concluded that effective revenue management practices are critical for maximizing profitability and competitiveness in the telecommunications sector in Kenya.

Mwikali and Gikonyo (2019) examined the effect of revenue management strategies on operational efficiency in public hospitals in Mombasa County, Kenya. A descriptive research design was used with a sample of 315 finance department staff selected through stratified sampling. Data collection involved questionnaires and hospital revenue reports. Descriptive statistics and regression models showed that automation increased revenue accuracy by 33% and reduced revenue leakages. The study concluded that strategic revenue management enhances financial accountability in public institutions.

Yeboah (2021) carried out a study in Ghana assessing the influence of dynamic pricing as a revenue management strategy in three-star hotels in Accra. A correlational design was adopted with a sample of 357 hotel managers and staff selected using simple random sampling. Data was collected through online surveys and financial performance records. Results analyzed using Pearson correlation and multiple regression revealed a strong positive link between dynamic pricing and RevPAR. The study concluded that adopting flexible pricing models maximizes returns in the hospitality sector.

2.3.3 Dispute Management Strategy and Financial Performance

Credit dispute management strategy refers to the systematic approach used by an organization to resolve conflicts and disputes related to credit transactions and obligations. For the County Government of Bungoma, an effective credit dispute management strategy is essential for maintaining financial stability and optimizing performance. By establishing clear procedures for addressing and resolving credit-related disputes, the county can minimize disruptions, avoid prolonged financial uncertainties, and prevent additional costs associated with legal proceedings or damaged relationships with creditors (Faraglia., Oikonomou, & Scott, 2019). Efficiently managing these disputes ensures timely resolution, maintains positive credit relationships, and protects cash flow. Consequently, the county can avoid financial setbacks, ensure smooth operational processes, and enhance overall financial performance, thereby better supporting its public service commitments and development goals.

Maresi (2021) did a study on the effect of credit dispute management strategies on performance of microfinance institutions in Nairobi. The study employed descriptive survey research design. The study targeted 90 managers of Microfinance Institutions (MFIs) that operate within Nairobi. A census method was adopted by the study. The study revealed that, there exists a significant positive relationship between credit dispute management strategies among microfinance institutions in Nairobi and their financial performance.

Wangari, (2019) did a study on credit dispute management strategies adopted by commercial banks in Kenya. Descriptive research design was used in the study. The study targeted 43 banks in Kenya. Questionnaires were used as main data collection instrument in the study. The findings of the study suggest that commercial banks use the strategies of accommodating, compromising, competing, collaborating and avoiding. The

strategies that were most popularly used was avoiding and collaborating. The findings of the study also suggest that commercial banks face the challenge of personal differences, challenge of different faith and culture, challenge of changing environment the challenge of creating structural for consensus processes, challenge of cooperative discourse and the challenge of change.

Kamau and Mwangi (2019) conducted a study on credit dispute resolution mechanisms in the banking sector, focusing on Equity Bank in Kenya. Employing a qualitative research design, the study utilized interviews with bank officials and analysis of customer complaints data to examine the effectiveness of dispute management strategies. The sample comprised 20 bank officials and 1000 customer complaints selected through purposive sampling. Data analysis involved thematic analysis to identify key themes and patterns in dispute resolution practices. The findings revealed that Equity Bank employs a multi-tiered approach to dispute management, including internal resolution processes, mediation, and arbitration. The study concluded that robust dispute management strategies are essential for maintaining customer satisfaction and trust in the banking sector in Kenya.

Njamwea (2022) did a study on effect credit dispute management on performance of financial institutions in Nigeria. This study employs a quantitative approach, utilizing data collected from a sample of 100 financial institutions. The study investigates the relationship between different credit dispute management strategies, such as proactive dispute resolution, reactive dispute resolution, and outsourcing dispute management, and financial performance metrics such as profitability, liquidity, and credit risk. Statistical analysis techniques, including regression analysis, are used to analyze the data and test the hypotheses. The findings suggest that financial institutions employing proactive dispute resolution strategies exhibit higher profitability and lower credit risk compared to

those relying on reactive dispute resolution or outsourcing. Furthermore, the study finds that a combination of proactive and reactive dispute resolution approaches yields the most favorable financial performance outcomes.

Hotepo, (2019) conducted a study on the effect of debt dispute management strategies among commercial banks in Ethiopia. This study adopts a qualitative research approach, conducting in-depth interviews with credit managers and executives from a diverse range of industries. The research explores the effectiveness of different credit dispute management strategies in enhancing financial performance, with a focus on the role of technology and automation in dispute resolution processes. Thematic analysis is used to identify common themes and patterns in participants' responses. The study findings reveal that financial institutions and companies leveraging advanced technology and automation tools in credit dispute management experience improved operational efficiency, reduced dispute resolution times, and enhanced customer satisfaction. Additionally, the study highlights the importance of investing in employee training and development to maximize the benefits of technology-enabled dispute management strategies.

Thapa and Shrestha (2022) assessed the effect of dispute management procedures on employee morale in Nepalese manufacturing industries in Kathmandu. Using a descriptive correlational design, the study sampled 377 employees using random sampling. Questionnaires and conflict logs were used for data collection. Pearson correlation and regression analysis found a significant inverse relationship between unresolved disputes and employee morale. The study concluded that effective internal conflict resolution enhances workplace harmony and productivity.

Adekunle (2018) conducted a study in Nigeria on dispute management and supplier satisfaction in the oil and gas sector in Port Harcourt. The research design was cross-

sectional, involving 351 procurement officers and supplier representatives selected using stratified sampling. Data collection involved interviews and satisfaction index surveys. Regression analysis indicated that proactive dispute resolution strategies improved supplier relationships and reduced contract delays. The study concluded that robust dispute resolution protocols are critical for project continuity in high-risk industries.

2.3.4 Debt Restructuring Strategy and Financial Performance

Debt restructuring strategy involves the process of reorganizing existing debt obligations to achieve more favorable terms and improve an organization's financial health. This may include renegotiating interest rates, extend repayment periods or consolidate multiple debts into a single loan. For the County Government of Bungoma, implementing a well-designed debt restructuring strategy can profoundly enhance financial performance (Buchheit, DeLong, & Zettelmeyer, 2019). By optimizing debt terms and reducing the financial burden, the county can lower interest expenses, improve cash flow, and better manage its fiscal responsibilities. This strategic realignment enables the county to allocate resources more effectively, invest in critical infrastructure and services, and achieve greater financial stability. Ultimately, effective debt restructuring supports the county's long-term financial sustainability and operational efficiency, contributing to improved overall performance and enhanced service delivery.

Barasa, Tibbs & Shitseswa (2023) conducted a study on influence of debt restructuring strategy implementation on performance of selected commercial banks in Kisumu Kenya. The study was based on risk management theory. The study adopted descriptive survey research design. The research used 34 operational banks in Kisumu City as the target population for a five-year period from 2017 to 2021. The respondents consisted of 102 managers from the selected banks who were chosen via the purposive sampling method. To collect primary data, structured questionnaires were used. The study used

both descriptive and inferential statistics. The study established that debt restructuring strategies had a significant positive effect on performance.

Shang and Okorie, (2023) did a study on the impact of debt restructuring strategies on the financial sustainability of a multinational corporation based in North America. Employing a longitudinal research design, the researchers collected data over a five-year period, utilizing a purposive sampling technique to select key financial decision-makers within the organization. The sample size comprised 200 participants. Quantitative data on debt ratios, profitability, and liquidity were collected through financial reports, while qualitative data on the restructuring process were gathered through interviews. Statistical analyses revealed a positive correlation between successful debt restructuring and improved financial sustainability.

Wang, (2018), the study focused on the relationship between debt restructuring and firm performance in Southeast Asia. Using a mixed-methods approach, the researchers conducted surveys and interviews with business leaders in the region. The sampling design involved stratified random sampling, and a total of 250 firms participated in the study. Financial performance indicators, such as return on assets and equity, were analyzed alongside qualitative data on the restructuring process. The findings demonstrated that well-executed debt restructuring positively influenced firm performance in Southeast Asia.

Kimani and Mangu (2019) did a study on the debt restructuring models and Public Sector Efficiency: A Study of Government Organizations in Kenya. The research design employed a comparative case study methodology, with a sample size of 150 government officials selected through convenience sampling. Data were collected through document analysis, interviews, and surveys. The findings revealed that adopting specific debt

restructuring models led to enhanced efficiency in public sector operations, emphasizing the importance of tailored approaches for different contexts.

Wanjiku and Otieno (2018) conducted a study on debt restructuring practices in the public sector, focusing on Nairobi County Government in Kenya. Employing a qualitative research design, the study utilized interviews with finance officials and analysis of financial reports to examine the effectiveness of debt restructuring strategies. The sample comprised 15 finance officials and archival data spanning a five-year period. Data analysis involved thematic analysis to identify key themes and patterns in debt restructuring practices. The findings revealed that Nairobi County Government utilizes debt consolidation, refinancing, and renegotiation techniques to manage its debt portfolio and alleviate financial pressures. Moreover, the government collaborates with financial institutions and development partners to secure favorable terms and extend repayment schedules. The study concluded that prudent debt restructuring strategies are essential for ensuring fiscal sustainability and resilience in the public sector in Kenya.

Muthoni and Kamau (2021) investigated the impact of debt restructuring on small and medium enterprises (SMEs) in Kenya. Using a mixed-methods approach, the study combined surveys with interviews to examine SMEs' experiences and perceptions of debt restructuring initiatives. The sample comprised 100 SME owners/managers selected through stratified random sampling. Data analysis involved descriptive statistics and thematic analysis to identify trends and patterns in debt restructuring outcomes. The findings revealed that SMEs in Kenya often resort to debt restructuring as a means of alleviating financial distress and restoring business viability. Additionally, the study found that debt restructuring initiatives such as debt forgiveness, rescheduling and interest rate concessions have positive effects on SMEs' financial health and operational performance. However, challenges such as bureaucratic processes and limited access to

formal credit hinder the effectiveness of debt restructuring measures for SMEs. The study concluded that targeted debt restructuring interventions tailored to the needs of SMEs are essential for promoting economic recovery and sustainability in Kenya.

Barakat and Salem (2019) conducted a study in Egypt on the effect of corporate debt restructuring on shareholder value in listed firms on the Cairo Stock Exchange. A case study methodology was used, sampling 321 finance executives from 21 listed firms. Data was gathered using semi-structured interviews and financial records. Findings analyzed through multiple regression indicated that successful debt restructuring increased share price performance and reduced financial distress indicators. The study concluded that corporate debt restructuring improves market confidence and investor returns.

Mwangi and Githae (2021) analyzed the role of debt restructuring on project completion among construction companies in Nairobi County. The objective was to assess whether loan renegotiation influenced timely completion of capital-intensive projects. A descriptive survey design was used with a sample of 317 project managers and finance officers selected via stratified sampling. Data was collected using questionnaires and analyzed using ANOVA and regression models. Results showed that restructuring project financing (through interest moratoriums and grace periods) improved project timelines and reduced cost overruns. The study concluded that effective debt restructuring is a key enabler of project success in capital-intensive industries.

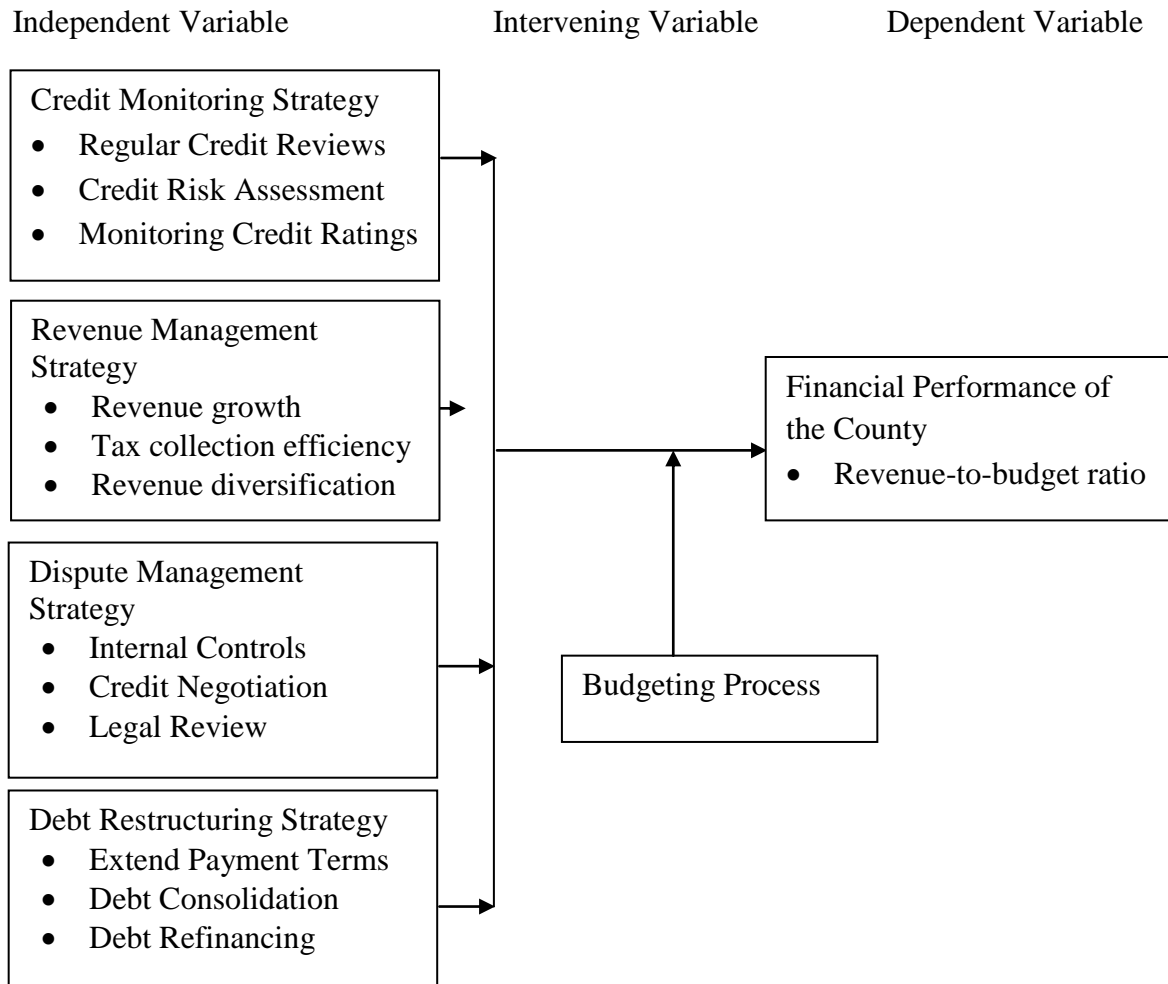
2.4 Conceptual Framework

Conceptual framework is a theoretical structure that guides the study by outlining the key concepts, variables and their relationships within the context of the study. It outlines the key concepts, variables, relationships, and assumptions that guide the research. In this study, the independent variables were credit monitoring strategies, revenue management

strategies, dispute management strategies and debt restructuring strategies. The dependent variable is financial performance of the County.

Figure 1

Conceptual Framework



Source: Author (2025)

2.5 Summary of Reviewed Literature

Table 2

Summary of Reviewed Literature

Author/s	Focus of the Study	Findings of the Study	Gaps of the Study
Mburu, Mwangi & Muathe (2020)	Credit Monitoring Practices and Loan Performance in Kenya	Credit monitoring had a positive significant effect on loan performance in Kenyan commercial banks. Client appraisal, however, showed no significant effect on loan performance.	However, the study was conducted in commercial banks while the current study was conducted in County Government of Bungoma.
Maina & Njeru (2023)	Credit Monitoring Practices on Loan Recovery in Digital Credit	Strong correlations were found between credit procedures, monitoring methods, credit evaluation, and recovery systems with loan recovery performance.	The depended variable of the study was loan recovery performance of the registered digital credit providers while the dependent variable of the study was debt management in Bungoma County Government.
Migwi (2023)	Credit monitoring and Recovery Strategies in Commercial Banks	All banks in Kenya monitor loans, generate reports, and employ various debt recovery strategies.	The study was conducted in commercial banks while the current study was conducted in Bungoma County government.
Gonzalez & Singh (2020)	Revenue management Strategies on Debt Management Globally	Proactive revenue management positively impacts debt management. The alignment of revenue streams with debt obligations enhances financial stability.	The study used a comparative research design and convenience sampling as opposed to the current study which employed a correlational research design and employed a census sampling technique.
Hernandez and Nkomo (2023)	Strategic revenue management and its impact on debt management	Strategic revenue management positively influenced debt management outcomes in South African Healthcare Organizations.	The study was conducted in a South African Health Care organization. Thus, the findings are not applicable to the County government of Bungoma.
Maresi (2021)	Dispute Management Strategies in Nairobi	Dominating strategy positively correlates, compromise strategy negatively correlates, collaborating strategy directly	The study was conducted in microfinance institutions while the current study was conducted in County

	Microfinance Institutions	linked to performance.	government of Bungoma
Kamau and Mwangi (2019)	Dispute resolution mechanisms in the banking sector, focusing on Equity Bank in Kenya	Equity Bank employs a multi-tiered approach to dispute management, including internal resolution processes, mediation, and arbitration.	Lack of specific focus on county government context, limiting applicability to the county government of Bungoma. - Lack of comparison with other banks or financial institutions to provide a broader perspective on effective dispute management strategies.
Omondi (2020)	Dispute resolution practices in the construction industry, focusing on contractors in Kenya	Contractors in Kenya employ various mechanisms to manage disputes, including negotiation, mediation, and adjudication. - Contractual safeguards such as dispute resolution clauses and performance bonds are commonly utilized.	The study does not directly address the context of county government operations, limiting its relevance to the performance of the county government of Bungoma.
Wanjiku and Otieno (2018)	Debt restructuring practices in the public sector, focusing on Nairobi County Government in Kenya	Nairobi County Government utilizes debt consolidation, refinancing, and renegotiation techniques to manage its debt portfolio and alleviate financial pressures. - Collaboration with financial institutions and development partners to secure favorable terms.	Focuses on debt restructuring practices in Nairobi County, not specifically in Bungoma County, limiting generalizability.
Muthoni and Kamau (2021)	Impact of debt restructuring on small and medium enterprises (SMEs) in Kenya.	SMEs often resort to debt restructuring to alleviate financial distress and restore business viability. - Debt restructuring initiatives have positive effects on SMEs' financial health and operational performance.	Lack of direct investigation into the impact of debt restructuring on county government operations or performance.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in carrying out the study. It begins with describing the research design used, target population, sampling techniques and procedures, methods of collecting data, validity and reliability of instruments and data processing and analysis that was employed in the study.

3.2 Research Design

The study adopted a correlational research design to examine the relationship between credit management strategies and the financial performance of the County Government of Bungoma. This design was appropriate as the study sought to determine the degree and direction of association among variables without manipulating them, thereby maintaining the natural context in which financial management practices occur. The approach enabled quantitative assessment of how variations in credit monitoring, revenue management, dispute management, and debt restructuring influence financial performance indicators. According to Creswell (2018), correlational designs are suitable when the researcher aims to identify predictive relationships among variables without introducing experimental controls. The design also allowed the use of statistical tools, such as Pearson's correlation and multiple regression, to test the study's hypotheses objectively. This approach ensured analytical rigor, minimized researcher bias, and provided a reliable basis for understanding how credit management strategies interact with fiscal outcomes in a devolved governance context.

3.3 Target Population

The target population was 86 staff at the county government comprising 36 credit control officers, 7 directors in the county treasury, 21 county treasury staff, 12 accounting

officers from the county department and 10 members of the county budget as shown in Table 3. Credit control officers are instrumental in implementing and overseeing credit management strategies within the county government, bringing practical experience in credit monitoring, assessing creditworthiness, and managing receivables. Their firsthand insights are crucial for understanding the daily challenges and successes of credit management. Directors in County Treasury contribute by formulating credit management policies and strategies, providing strategic insights into the alignment of credit management initiatives with broader financial performance targets.

County Treasury Staff engage in revenue collection, budgeting, and financial reporting, offering perspectives on the broader financial implications of credit management strategies and their integration into overall financial planning. Accounting Officers from County Departments manage departmental budgets, expenditures, and financial reporting, providing insights into how credit management impacts departmental financial performance and service delivery. Meanwhile, Members of the County Budget oversee budgetary allocations, expenditure approvals, and fiscal oversight, providing a governance-focused perspective on the effectiveness of credit management strategies in achieving budgetary targets and ensuring fiscal discipline.

Table 3

Target Population

County Staffs	No. of Employees	Total
Credit Control officers	36	36
Directors in County Treasury	7	7
County Treasury Staff	21	21
Accounting Officers from the County department	12	12
Members of the County budget	10	10
Total	86	86

Source: County Government of Bungoma (2025)

3.4 Sample and Sampling Technique

According to Kull (2019) sampling is the process by which a relatively small number of individuals, subjects or events is selected and analyzed to find out something about the entire population from which it was selected. A sample size is the selected number of respondents to represent others in data collection as a representation of the whole population. Since the target population was manageable, the study used a census technique to incorporate all 86 targeted respondents.

3.5 Data Collection Instruments

The study collected primary data. A structured questionnaire was used to collect the primary data desirable for the study. Questionnaires are any written instruments that present respondents with a series of questions or statements to which they are to react, either by writing out their answers or selecting from among existing answers (Jankowicz, 2015). The design of the questionnaires was based on five Likert scale measurements. The questionnaire was organized into four sections. The first, second, third and fourth sections contained questions on study objectives. Questionnaire was used since it helped the respondents to provide correct data and assisted in minimizing costs. This type of questionnaire allows the researcher to obtain as much quantifiable data as possible.

3.5.1 Pilot Study

The primary purpose of a pilot study is to test the feasibility and effectiveness of data collection instruments, (Whitney, 2013). For the study, the pilot study was conducted neighboring Kakamega County due to its socio-economic and administrative similarities with Bungoma County, including comparable revenue structures and governance frameworks. Both counties are located in the Western region of Kenya and have comparable economic activities, such as agriculture and small-scale trade. These similarities ensure that findings from the pilot study in Kakamega can be reasonably

extrapolated to Bungoma. The researcher administered 9 questionnaires representing 10% of the sample size according to Kothari (2012). The feedback was 100%, indicating user friendly-instruments, hence made it easier to conduct the research. Minor adjustments were made to the wording of certain items to enhance clarity and eliminate ambiguity. The refined questionnaire was then adopted for the main study.

3.5.2 Validity of the Study Instruments

The questionnaire in this study was validated using content, construct, and criterion validity. Content validity guarantees that research instruments, including the interview schedule, comprehensively address all pertinent facets of the research issue. To determine content validity, the questions were meticulously crafted based on an extensive literature review and expert consultation to ensure they thoroughly encompass the research objectives and pertinent aspects of credit management strategies and financial performance within the county government of Bungoma.

Construct validity denotes the extent to which research tools accurately assess the theoretical constructs they are designed to test. This study ensured construct validity by connecting the questions with existing theoretical frameworks and concepts pertaining to credit management techniques and financial performance. Furthermore, in the pilot test phase, data analysis concentrated on discerning patterns and themes in participants' replies that correspond with the theoretical constructs being examined. Criterion validity evaluates the extent to which research instruments effectively predict or correlate with external criteria or results.

3.5.3 Reliability of the Study Instruments

Reliability allows the researcher to assess errors and implement required corrections, if applicable. The study instruments' dependability was established by a pilot test conducted in Kakamega County. A technique for internal consistency was employed

using Cronbach's Alpha. Internal consistency reliability assesses the extent to which various test items measuring the same construct yield comparable outcomes.

3.6 Data Collection Procedures

The researcher first sought clearance from Kabarak University Research Ethics Committee (KUREC) then further sought a permit from the National Council of Science and Technology and Innovation (NACOSTI) through Kabarak University. The researcher then proceeded to the County Government officials and explained to them the purpose of the study in order to seek their authorization. Before data collection, the researcher obtained informed consent from all participants. The researcher clearly explained the purpose of the study, what participation entails, how their data will be used and assure them of confidentiality. Participants had the right to withdraw from the study at any time.

The researcher ensured that the data collected from participants was anonymized, meaning that individual participants could not be identified from the data. The respondents were to avoid including any identifying information such as names, addresses, or other personal identifiers in their data collection instruments or reports. The researcher further implemented strict access controls to ensure that only authorized personnel have access to the collected data. Finally, the researcher established procedures for securely destroying any unnecessary or outdated data once the study is completed. The researcher achieved this by ensuring that all electronic and paper-based records containing participant information are securely disposed of to prevent unauthorized access. The researcher administered the questionnaire individually to all respondents of the study. The questionnaire was administered using a drop and pick later method which was collected after two weeks.

3.7 Data Analysis and Presentation

Data analysis is the procedure of assembling into order structuring coming up with the meaning to the mass of the information gathered (Cooper & Schindler, 2015). Data analysis comprises of cutting the acquired information into a manageable size, coming up with summaries, looking for patterns and applying statistical techniques. Data that was gathered in this study was quantitative in nature. Quantitative data was analyzed by utilization of Statistical Package for Social Sciences (SPSS) version 25, Descriptive and inferential statistics were employed in the study. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Inferential statistics involves the use of simple bivariate correlation analysis to establish the nature of the relationship between a single independent variable and the dependent variable. After analysis data was presented in form of tables.

Multiple regressions were adopted in the study;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where:

Y = Performance of the County Government.

β_0 = Constant Term

X_1 =Credit Monitoring Strategies

X_2 = Revenue Management Strategies

X_3 = Dispute Management Strategies

X_4 =Debt Restructuring Strategies

ε = Error Term

$\beta_1, \beta_2, \beta_3, \beta_4$ represents Regression Coefficients for Independent Variables

3.8 Diagnostic Tests

Diagnostic tests are essential in regression analysis to ensure the validity of the model's assumptions. The following diagnostic tests were carried out.

3.8.1 Autocorrelation Assumption Test

The autocorrelation assumption test is performed to ascertain whether the residuals (errors) in a regression model exhibit correlation across time or among observations. Autocorrelation arises when the error terms in regression model exhibit dependence, contravening a fundamental premise of ordinary least squares (OLS) regression. In time-series data, past values commonly affect future values. The Durbin-Watson test is commonly employed to identify autocorrelation, where values near 2 signify the absence of autocorrelation, values below 1 imply positive autocorrelation and values over 3 denote negative autocorrelation.

3.8.2 Normality Assumption Test

The normality assumption test evaluates if the residuals in a regression model adhere to a normal distribution, which is crucial for successful hypothesis testing and confidence interval calculation in linear regression. This assumption guarantees the reliability of statistical judgments, including t-tests and F-tests. Prevalent techniques for assessing normalcy encompass the Shapiro-Wilk test and the Kolmogorov-Smirnov test. Moreover, graphical techniques include histograms, normal probability plots (Q-Q plots), and kernel density plots facilitate the visualization of residual distributions.

3.8.3 Multicollinearity Test

Multicollinearity denotes a significant correlation among independent variables in a regression model, complicating the isolation of each predictor's effect on the dependent variable. It results in unstable coefficient estimates and diminishes the reliability of

statistical tests. The Variance Inflation Factor (VIF) is the predominant metric for assessing multicollinearity, with a VIF value exceeding 10 signifying severe multicollinearity. The Tolerance Value, the inverse of VIF, serves as an additional metric, with values under 0.1 indicating significant multicollinearity.

3.9 Ethical Considerations

Participants were guaranteed their welfare and privacy prior to the data collection process, and the purpose of the research was conveyed to them. The objective of the investigation was exclusively academic and the information disseminated was not utilized detrimentally against them. Informed consent was obtained from the respondents, ensuring their anonymity and the confidentiality of information throughout and following the study. They were also notified that they have the option to withdraw from the study at any time prior to the conclusion of the exercise. The University (KUREC) granted approval for the research, and authorization to collect data was obtained by the National Commission for Science, Technology and Innovation (NACOSTI), which includes the issue of research clearance permission.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The chapter focuses on data analysis, results presentation and discussion of the findings. The chapter provides a detailed examination of the collected data, presents the results of the analysis, and offers a discussion of the findings in relation to the study's objectives. It involves interpreting the data, identifying patterns or trends.

4.2 Response Rate

A total of 86 questionnaires were distributed to respondents, and 70 were completed and returned, resulting in a response rate of 81%. According to Babbie (2012), a response rate of 65% or higher is considered sufficient for analysis. Therefore, the 81% response rate was highly appropriate for conducting data analysis.

Table 4

Response Rate

	Sample Size	Completely Filled	Non-Response Rate
Frequency	86	70	16
Percentage	100%	81%	19%

4.3 Pilot Test Results

The study conducted a pilot test in Kakamega County where 9 questionnaires were administered. These presented 10% of the sample size for the main study, as recommended by Mugenda and Mugenda (2008). The reliability of the study instruments was achieved by conducting a pilot test in Kakamega County. An internal consistency technique was adopted by utilization of Cronbach's Alpha. Internal consistency reliability is a measure of reliability used to evaluate the degree to which different test items that probe the same construct produce similar results. The pilot achieved a 100%

response rate. Reliability analysis using Cronbach’s Alpha yielded a coefficient of 0.812, which, according to George and Mallery (2019), indicates good internal consistency ($\alpha \geq 0.7$). The findings were as indicated in Table 5.

Table 5

Reliability Test Results

Variable	No	Cronbach’s Alpha Value
Credit Monitoring Strategy	9	.874
Revenue Management Strategy	9	.889
Dispute Management Strategy	9	.854
Debt Restructuring Strategy	9	.899
Financial Performance	9	.798

The questionnaire was coded and Cronbach’s Alpha Test was then conducted. From the findings in table 5, all the variables gave Cronbach’s Alpha threshold values greater than 0.7 as shown in Table 4.2. From the pilot study the Cronbach Alpha values were 0.874, 0.889, 0.854, 0.899 and 0.798 for the credit monitoring strategy revenue management strategy, dispute management strategy, debt restructuring strategy and financial performance of the county government of Bungoma respectively. All the variables had Cronbach values that were greater than 0.7. This implied that the instruments were reliable.

4.4 Demographic Characteristics

The study collected demographic information to provide the context for the findings and access the representativeness of the sample. The key demographic variables were the job designation of the respondents in the county government, duration of service in the county government, the highest level of education of the respondents, and the frequency of their involvement in financial decision-making in the county government. These demographic details are essential for the interpretation of the study results and

understanding the perspectives of different respondent groups within Bungoma county government.

Table 6

Demographic Information

Demographic	Category	Frequency	Percentage
Job Designation	Credit Control Officers	13	18.57%
	County Treasury Staff	16	22.86%
	Accounting Officers	23	32.85%
	Revenue Collection Officer	17	24.29%
Length of Service	Less than 1 year	15	21.43%
	1-3 years	28	40.00%
	4-6 years	13	18.57%
	More than 6 years	14	20.00%
Highest Level of Education	Certificate	7	10.00%
	Diploma	21	30.00%
	Bachelor's Degree	26	37.14%
	Master's Degree	17	24.29%
Involvement in financial decision making	Very Frequently	16	22.86%
	Frequently	25	35.71%
	Occasionally	23	32.85%
	Rarely	6	8.571%

The demographic information presented in Table 6 provides valuable insights into the characteristics of the respondents who participated in the study. Understanding these attributes helps contextualize the findings and ensures that the responses represent diverse perspectives within the County Government of Bungoma. The demographic variables analyzed include job designation, length of service, highest level of education, and frequency of involvement in financial decision-making.

From the findings, the majority of respondents (32.85%) were Accounting Officers, followed by Revenue Collection Officers (24.29%), County Treasury Staff (22.86%), and Credit Control Officers (18.57%). This distribution indicates that the study captured views from key officers directly involved in financial management processes, revenue collection, and expenditure control. The inclusion of personnel from different operational levels ensures a comprehensive understanding of how credit management strategies are applied across various departments within the county.

In terms of length of service, 40% of the respondents had worked in the county government for between 1 and 3 years, while 21.43% had served for less than a year. Those with between 4 and 6 years of experience accounted for 18.57%, and 20% had served for over six years. This composition demonstrates that the study included both relatively new and experienced officers, providing balanced insights into how institutional experience and tenure influence the implementation and perception of credit management practices. Employees with longer service durations may offer historical perspectives on fiscal performance trends, while newer staff contribute fresh observations on current reforms and operational practices.

Regarding the highest level of education, 37.14% of respondents held Bachelor's degrees, 30% had Diplomas, 24.29% possessed Master's degrees, and 10% held Certificates. This distribution reveals a workforce that is largely well-educated and professionally qualified to manage public financial functions. The high proportion of degree and postgraduate holders suggests that most officers have the technical and analytical capacity required for effective financial decision-making, aligning with the competency requirements under Kenya's Public Finance Management Act (2012).

On involvement in financial decision-making, 35.71% of respondents indicated that they were frequently involved in such processes, while 32.85% participated occasionally,

22.86% were very frequently engaged, and only 8.57% reported being rarely involved. This pattern suggests that the study sample comprised respondents who are actively engaged in fiscal and budgetary operations, lending credibility and depth to the findings. The relatively high frequency of participation implies that most respondents are well-positioned to provide informed opinions on the county's credit management systems and their impact on financial performance.

Overall, the demographic profile of respondents demonstrates a balanced and competent representation of Bungoma County Government's financial administration personnel. The mix of job roles, service durations, educational qualifications, and decision-making involvement ensures that the findings of the study reflect diverse yet informed perspectives. This diversity strengthens the validity of the conclusions drawn, offering a comprehensive understanding of how credit management strategies influence financial performance within the devolved governance framework of Bungoma County.

4.5 Descriptive Statistics

4.5.1 Credit Monitoring Strategy on Financial Performance

The researcher sought to assess the effect of credit monitoring strategy on the financial performance of the County government of Bungoma. The findings were as indicated in Table 7.

Table 7*Credit Monitoring Strategy on Financial Performance*

Credit Monitoring Strategy	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std
Regular credit reviews enable the County Government of Bungoma to identify potential credit risks and challenges at an early stage.	68	23	2	4	3	4.514	0.886
Through regular credit reviews, the government can assess the composition and structure of its credit portfolio	69	21	0	5	5	4.462	0.557
Credit risk assessment enables the county government to identify and evaluate key risk factors that may impact its financial stability.	40	55	0	2	3	4.270	0.807
Through credit risk assessment, the county government can quantitatively measure its exposure to various credit-related risks	49	33	12	3	3	4.381	0.592
Monitoring credit ratings serves as an important indicator of the County Government of Bungoma's financial health.	55	40	0	5	0	4.492	0.807
Maintaining favorable credit ratings of debtors enhances the government's credibility.	11	8	8	41	32	3.855	1.185
Overall Mean and SD						4.329	0.834

Key: SA=Strongly Agree, A=Agree, 3=Neutral, D=Disagree, and SD==Strongly Disagree, Std = Standard Deviation

From the findings in table 6, 68% of the respondents strongly agreed that regular credit reviews enable the County Government of Bungoma to identify potential credit risks and challenges at an early stage, 23% agreed, 2% were neutral, 4% disagreed while 3% strongly disagreed that regular credit reviews enable the County Government of

Bungoma to identify potential credit risks and challenges at an early stage with a mean of 4.514 and SD of 0.886. Also, 69% of the respondents strongly agreed that through regular credit reviews, the government can assess the composition and structure of its credit portfolio, 21% agreed, 5% disagreed, 5% strongly disagreed that through regular credit reviews, the government can assess the composition and structure of its credit portfolio with a mean of 4.462 and SD of 0.557. The study findings agree with the findings of Maina and Njeru (2023) which showed that regular reviews help in understanding the distribution of different types of credit assets, including loans, bonds, and other credit instruments.

This understanding allows for better management of asset types and risk levels. Assessing how credit is allocated across various sectors or industries helps identify concentration risks and ensure diversification. It also aids in aligning credit allocations with economic and policy priorities. On the same note, 40% of the respondents strongly agreed that credit risk assessment enables the county government to identify and evaluate key risk factors that may impact its financial stability, 55% agreed, 2% disagreed, 3% strongly disagreed that credit risk assessment enables the county government to identify and evaluate key risk factors that may impact its financial stability (mean=4.270, SD=0.807).

On the same, 3% of the respondents strongly agreed, 3% agreed, 12% were neutral, 33% disagreed, while 49% strongly disagreed that through credit risk assessment, the county government could quantitatively measure its exposure to various credit-related risks with a mean of 4.381, and SD of 0.592. The study findings are in line with Migwi (2023), who concluded that credit risk assessment involves using quantitative models to measure exposure to credit risks, such as default risk, credit spread risk, and counterparty risk. These models can include metrics like the probability of default (PD), loss-given default

(LGD), and exposure at default (EAD). Tools such as credit scoring models and credit risk ratings help in quantifying the likelihood of default and the potential impact on the county's financial position. These metrics provide a numerical basis for assessing risk exposure.

Furthermore, 55% of the respondents strongly agreed that monitoring credit ratings serves as an important indicator of the County Government of Bungoma's financial health, 40% agreed while 5% disagreed that monitoring credit ratings serves as an important indicator of the County Government of Bungoma's financial health with a mean of 4.492 and SD of 0.807. Moreover, the findings revealed that 32% of the respondents strongly agreed that maintaining favorable credit ratings of debtors enhances the government's credibility, 41% agreed, 8% were neutral, 8% disagreed, while 11% strongly disagreed that maintaining favorable credit ratings of debtors enhances the government's credibility with a mean of 3.855 and SD of 1.185. The overall mean of 4.329 and a standard deviation of 0.834 suggest that most respondents strongly agree with the effectiveness of credit monitoring in enhancing financial performance. The moderate standard deviation implies some variation in responses. The findings concur with the findings of Mwangi and Kimani (2021) which revealed that favorable credit ratings indicate that debtors are financially stable and capable of meeting their debt obligations. This reliability enhances investor confidence in the government's financial management and its ability to handle debt responsibly.

4.5.2 Revenue Management Strategy on Financial Performance of Bungoma County

The researcher sought to find the effect of revenue management strategy on the financial performance of the county government of Bungoma. The findings are as indicated in Table 8.

Table 8*Revenue Management Strategy on Financial Performance of Bungoma County*

Revenue Management Strategy	SA	A	N	D	SD	Mean	Std
	(%)	(%)	(%)	(%)	(%)		
Revenue growth provides the County Government of Bungoma with additional financial resources, enhancing its fiscal capacity to fund essential services	64	29	2	2	3	4.403	0.778
Sustainable revenue growth contributes to improved financial stability for the government by reducing reliance on volatile sources of funding	54	30	8	5	3	4.270	0.738
Efficient tax collection ensures a stable revenue source for the county.	38	38	4	11	9	4.145	0.807
Effective tax collection reduces the need for additional borrowing, minimizing interest costs	43	34	7	5	11	4.387	0.869
Enhanced tax collection efficiency helps the government reduce budget deficits and maintain fiscal discipline	30	54	5	8	3	2.181	0.513
Effective tax collection enables the government to allocate resources more efficiently to priority areas such as healthcare	49	40	3	5	3	4.403	0.778
Diversifying revenue sources reduces the county's dependence on a single income stream	50	34	3	7	6	3.984	1.032
A diversified revenue base provides long-term stability, ensuring a consistent flow of funds.	45	34	13	8	0	4.145	0.921
Overall Mean and SD						3.989	0.740

SA=Strongly Agree, A=Agree, 3=Neutral, D=Disagree, and SD=Strongly Disagree,

Std= Standard Deviation

From the findings in table 7, 64% of the respondents strongly agreed that revenue growth provides the County Government of Bungoma with additional financial resources, enhancing its fiscal capacity to fund essential services; 29% agreed, 2% were neutral, 2% disagreed while 5% strongly disagreed that revenue growth provides the County Government of Bungoma with additional financial resources, enhancing its fiscal capacity to fund essential services with a mean of 4.403 and a standard deviation of 0.778. Furthermore, 54% of the respondents strongly agreed that sustainable revenue growth contributes to improved financial stability for the government by reducing reliance on volatile sources of funding, 30% agreed, 8% were neutral, 5% disagreed, and 3% strongly disagreed that sustainable revenue growth contributes to improved financial stability for the government by reducing reliance on volatile sources of funding with a mean score of 4.270 and a standard deviation of 0.738.

Furthermore, 38% of respondents strongly agreed that efficient tax collection ensures a stable revenue source for the county, 38% agreed, 4% were neutral, 11% disagree, while 9% strongly disagreed that efficient tax collection ensures a stable revenue source for the county with a mean of 4.145 and a standard deviation of 0.807. The study findings agree with the findings of Garcia and Martinez (2021), who demonstrated that efficient tax collection provides a consistent and predictable stream of revenue. This stability is crucial for planning and managing county budgets, allowing for better allocation of resources and long-term financial planning. Effective tax collection minimizes revenue fluctuations caused by collection inefficiencies or delays, ensuring that the county has a steady inflow of funds to meet its financial obligations. With reliable tax collection, counties can more accurately forecast future revenue, leading to more precise budget planning and resource allocation. Stable revenue sources allow for better financial

management and the ability to plan and fund essential services and development projects without the uncertainty of fluctuating income.

Further, 43% of the respondents strongly agreed that effective tax collection reduces the need for additional borrowing, minimizing interest costs, 34% agreed, 7% were neutral, 5% disagreed while 11% strongly disagreed that effective tax collection reduces the need for additional borrowing, minimizing interest costs with a mean of 1.387 and a standard deviation of 0.869. From the findings, 30% of the respondents strongly agreed that enhanced tax collection efficiency helps the government reduce budget deficits and maintain fiscal discipline, 54% agreed, 5% were neutral, 8% disagreed, 3% strongly disagreed that enhanced tax collection efficiency helps the government reduce budget deficits and maintain fiscal discipline with a mean of 2.181 and a standard deviation of 0.513. The findings match with Oliveira, (2022) who showed that efficient tax collection systems improve compliance rates, ensuring that more revenue is collected from taxpayers.

This increased revenue helps close budget deficits and provides the necessary funds for public services and investments. Streamlined processes and better enforcement reduce opportunities for tax evasion and avoidance, thereby increasing the actual revenue collected. Effective tax collection provides a stable and predictable revenue stream, which is essential for accurate budget planning and management. This predictability helps forecast revenues and align expenditures with available funds. With efficient tax collection, the risk of revenue shortfalls is minimized, which helps prevent or reduce budget deficits.

Further, 49% strongly agreed that effective tax collection enables the government to allocate resources more efficiently to priority areas such as healthcare, 40% agreed, 3% were neutral, 5% disagreed 3% strongly disagreed that effective tax collection enables

the government to allocate resources more efficiently to priority areas such as healthcare with a mean of 4.403 and SD of 0.778. Furthermore, 50% strongly agreed that diversifying revenue sources reduces the county's dependence on a single income stream, 34% agreed, 3% were neutral, 7% disagreed that diversifying revenue sources reduces the county's dependence on a single income stream with a mean of 4.403 and SD of 0.778. In addition, 45% strongly agreed that a diversified revenue base provides long-term stability, ensuring a consistent flow of funds; 34% agreed 13% were neutral; 8% disagreed that a diversified revenue base provides long-term stability, ensuring a consistent flow of funds with a mean of 4.403 and SD of 0.778.

The overall mean of 3.989 and a standard deviation of 0.740 indicate that respondents generally agree with the impact of revenue management on financial performance. The relatively lower mean compared to credit monitoring suggests less certainty or effectiveness, while the standard deviation reflects moderate dispersion in opinions. The study findings are in line with the findings of Wangari and Wamae (2023), who concluded relying on a single revenue source (e.g., property taxes, sales taxes, or grants), can expose governments to significant risks if that source experiences fluctuations or declines. Diversifying revenue sources reduces this dependency and spreads risk across multiple streams. A diversified revenue base helps smooth out income variability. If one source underperforms, other revenue streams can compensate, maintaining overall financial stability. Multiple revenue streams provide a buffer against unexpected financial challenges or emergencies, enabling governments to maintain essential services and meet obligations even during difficult times.

4.5.3 Dispute Management Strategy on Financial Performance of Bungoma County

The study also sought to assess the effect of dispute management strategy on the financial performance of the county government of Bungoma. Table 9 shows the results.

Table 9*Dispute Management Strategy on Financial Performance of Bungoma County*

Dispute Management Strategy	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	StD
Strong internal controls help prevent credit disputes from arising in the first place by ensuring accuracy and integrity in financial transactions	49	39	10	2	0	4.351	0.767
Effective internal controls facilitate the timely identification and resolution of credit disputes with debtors when they do occur	48	39	6	4	3	4.345	0.692
Credit negotiation enables the County Government of Bungoma to explore options for credit restructuring	44	38	7	7	4	4.273	0.689
By reaching amicable resolutions through negotiation rather than litigation, the county government can avoid protracted legal battles, minimize legal expenses	62	32	3	3	0	4.424	0.670
Effective credit negotiation helps mitigate the risk of default from debtors, which ensures financial liquidity	40	42	9	3	6	4.372	1.037
Legal review ensures the proper documentation and record-keeping of debtor dispute resolution processes	53	44	3	0	0	4.145	0.807
Overall Mean and SD						4.318	0.777

SA=Strongly Agree, A=Agree, 3=Neutral, D=Disagree, and SD==Strongly Disagree
Std= Standard Deviation

From the findings in table 8, 49% of the respondents strongly agreed that strong internal controls help prevent credit disputes from arising in the first place by ensuring accuracy and integrity in financial transactions, 39% agreed, 10% were neutral, 2% disagreed that

strong internal controls help prevent credit disputes from arising in the first place by ensuring accuracy and integrity in financial transactions with a mean of 4.351 and SD of 0.767. In addition, 48% strongly agreed that effective internal controls facilitate the timely identification and resolution of credit disputes with debtors when they do occur, 39% agreed, 6% were neutral, 4% disagreed, 3% strongly disagreed that effective internal controls facilitate the timely identification and resolution of credit disputes with debtors when they do occur with a mean of 4.345 and SD of 0.692.

The findings concur with Faraglia, Oikonomou, and Scott, (2019) who showed that internal controls often involve automated systems that flag unusual or potentially problematic credit transactions. These alerts help in the early detection of discrepancies or disputes before they escalate. Routine reconciliation of accounts ensures that any mismatches or anomalies in credit transactions are identified and addressed promptly.

Similarly, 44% of the respondents strongly agreed that credit negotiation enables the County Government of Bungoma to explore options for credit restructuring, 38% agreed, 7% were neutral, 7% disagreed 4% strongly disagreed that credit negotiation enables the County Government of Bungoma to explore options for credit restructuring with a mean of 4.273 and SD of 0.689. Moreover, 62% strongly agreed that by reaching amicable resolutions through negotiation rather than litigation, the county government can avoid protracted legal battles and minimize legal expenses, 32% agreed, 3% were neutral, while 3% disagreed that by reaching amicable resolutions through negotiation rather than litigation, the county government can avoid protracted legal battles, minimize legal expenses with a mean of 4.424 and SD of 0.670.

The study concurs with the findings of Kamau and Mwangi (2019), which indicated that negotiations typically involve lower costs compared to litigation. Legal fees, court costs, and associated expenses can be substantially reduced when disputes are resolved through

negotiation. Settling disputes amicably minimizes administrative burdens and expenses related to managing lengthy legal processes, such as document preparation and court filings.

Furthermore, 40% strongly agreed that effective credit negotiation helps mitigate the risk of default from debtors, which ensures financial liquidity, 42% agreed, 9% were neutral, 3% disagreed, 6% strongly disagreed that effective credit negotiation helps mitigate the risk of default from debtors which ensure financial liquidity with a mean of 4.372 and SD of 1.037. In addition, 53% of the respondents strongly agreed that legal review ensures the proper documentation and record-keeping of debtor dispute resolution processes, 44% agreed, while 3% were neutral that legal review ensures the proper documentation and record-keeping of debtor dispute resolution processes with a mean of 4.145, SD of 0.807.

The overall mean of 4.318 and a standard deviation of 0.777 indicate a strong agreement on the positive impact of dispute management on financial performance. The standard deviation suggests a moderate level of response variation. The study findings agree with the findings of Hotepo, (2019) who stated that legal reviews ensure that all relevant documentation related to debtor disputes is accurate, complete and properly maintained. This includes contracts, correspondence, payment records and settlement agreements. It ensures that documentation practices adhere to legal standards and organizational policies, reducing the risk of errors and omissions.

4.5.4 Debt Restructuring Strategy on Financial Performance of Bungoma County

The study further sought to determine the effect of the debt restructuring strategy on the financial performance of the county government of Bungoma. The findings are presented in Table 10.

Table 10*Debt Restructuring Strategy on Financial Performance of Bungoma County*

Statement	S A %	A %	U %	D %	SD %	Mean	Std
By allowing debtors more time to fulfill their payment obligations, the government can minimize the risk of default.	37	34	10	16	3	3.855	1.185
Extending payment terms with debtors can help preserve positive relationships and goodwill between the government and its stakeholders	55	34	8	3	0	4.403	0.778
By consolidating its debts with individual debtors, the County Government of Bungoma can simplify its debt management processes	44	46	7	3	0	4.307	0.738
Debt consolidation facilitates more efficient collections by centralizing the government's efforts and resources on a single consolidated debt obligation	37	44	16	3	0	4.145	0.807
Debt consolidation provides the government with increased leverage and negotiating power when dealing with debtors.	40	45	5	0	0	4.452	0.592
By consolidating multiple debts into a single obligation, the county government can negotiate more favorable terms, such as extended payment schedules	37	44	16	3	0	4.145	0.807
By refinancing debts at more favorable terms, such as longer repayment periods, the county government can improve its liquidity	42	32	12	14	0	4.403	0.778
Debt refinancing allows the government to restructure its debt portfolio with individual debtors to better align with its financial objectives	30	40	18	12	0	4.307	0.738
By refinancing debts at more favorable terms, the county government can strengthen its relationships with debtors minimizing the risk of default or delinquency	42	30	16	12	0	4.145	0.807
Overall Mean and SD						4.240	0.803

SA=Strongly Agree, A=Agree, 3=Neutral, D=Disagree, and SD==Strongly Disagree
Std= Standard Deviation

The findings in table 9, 37% of the respondents strongly agreed that by allowing debtors more time to fulfill their payment obligations, the government can minimize the risk of default, 34% agreed, 10% were undecided, 16% disagreed, while 3% strongly disagreed that by allowing debtors more time to fulfill their payment obligations, the government can minimize the risk of default with a mean of 3.855 and a standard deviation of 1.185. Also, 55% of the respondents strongly agreed, 34% agreed, 8% were undecided, and 3% disagreed that extending payment terms with debtors can help preserve positive relationships and goodwill between the government and its stakeholders, with a mean of 4.403 and a standard deviation of 0.778. Further, 44% strongly agreed that by consolidating its debts with individual debtors, the County Government of Bungoma can simplify its debt management processes, 46% agreed, 7% were undecided 3% disagreed that by consolidating its debts with individual debtors, the County Government of Bungoma can simplify its debt management processes with a mean of 4.307 and a standard deviation of 0.738. The findings match with those of Barasa, Tibbs and Shitseswa (2023), who stated that consolidating debts reduces the number of creditors and accounts the county government has to manage, creating a single point of contact for debt-related issues. This streamlines communication and management. A consolidated debt structure typically involves a single payment schedule, making it easier to track and manage payments. This reduces administrative complexity and minimizes the risk of missed payments.

Furthermore, 37% of the respondents strongly agreed that debt consolidation facilitates more efficient collections by centralizing the government's efforts and resources on a single consolidated debt obligation, 44% agreed, 16% were undecided while 3% disagreed that debt consolidation facilitates more efficient collections by centralizing the government's efforts and resources on a single consolidated debt obligation with a mean

of 4.145 and a standard deviation of 0.807. Moreover, 35% of the respondents strongly agreed that debt consolidation provides the government with increased leverage and negotiating power when dealing with debtors, 45% agreed while 5% were undecided that debt consolidation provides the government with increased leverage and negotiating power when dealing with debtors with a mean of 4.403 and a standard deviation of 0.557. Additionally, 37% of the respondents strongly agreed that by consolidating multiple debts into a single obligation, the county government can negotiate more favorable terms, such as extended payment schedules, 44% agreed, 16% were undecided, while 3% disagreed that by consolidating multiple debts into a single obligation, the county government can negotiate more favorable terms, such as extended payment schedules with a mean of 4.145 and a standard deviation of 0.807.

The findings match with those of Shang and Okorie, (2023) who concluded that when consolidating debts, the county government deals with one creditor instead of multiple. This can simplify negotiations and increase leverage, as the creditor may be more inclined to offer favorable terms to secure a larger consolidated debt. Consolidating debts into a single obligation can demonstrate a significant commitment to repaying the debt, which may enhance the government's bargaining position for better terms. Furthermore, 42% of the respondents strongly agreed that by refinancing debts at more favorable terms, such as longer repayment periods the county government can improve its liquidity, 32% agreed, 12% were undecided. In comparison, 14% disagreed that by refinancing debts at more favorable terms, such as more extended repayment periods the county government can improve its liquidity with a mean of 4.403 and a standard deviation of 0.778.

Moreover, 30% of the respondents strongly agreed that debt refinancing allows the government to restructure its debt portfolio with individual debtors to better align with its

financial objectives, 40% agreed while 18% were undecided. In comparison, 12% disagreed that debt refinancing allows the government to restructure its debt portfolio with individual debtors to better align with its financial objectives, with a mean of 4.403 and a standard deviation of 0.557. Additionally, 52% of the respondents strongly agreed that by refinancing debts at more favorable terms, the county government can strengthen its relationships with debtors minimizing the risk of default or delinquency; 32% agreed, 6% were undecided, while 10% disagreed that by refinancing debts at more favorable terms, the county government can strengthen its relationships with debtors minimizing the risk of default or delinquency with a mean of 4.145 and a standard deviation of 0.807.

The overall mean of 4.240 and a standard deviation of 0.803 shows that respondents largely agree on its effectiveness, though the slightly higher standard deviation indicates varying perceptions. The findings are in line with those of Kimani and Mangu (2019), which showed that refinancing typically involves securing more favorable terms, such as lower interest rates or extended repayment periods. This reduction in payment amounts can alleviate financial pressure on the county government, making it easier to meet its debt obligations. Lower monthly payments from refinancing can improve the county's cash flow, allowing it to allocate resources more effectively and reduce the likelihood of missing payments.

4.5.5 Financial Performance

The respondents were asked to indicate their level of agreement with the financial performance of the county government of Bungoma. The findings are presented in Table 11.

Table 11*Financial Performance*

Statement	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	SD
The county government can meet all its financial obligations on time	0	5	2	29	64	2.403	0.978
The county government can provide all its devolved services	0	5	8	33	54	2.307	0.938
The county government can pay all its creditors on time	9	6	4	43	38	2.145	0.907
The county government has enough cash flow to meet financial obligations	11	5	7	34	43	2.387	0.969
The county government can pay all of its recurrent expenditure on time	0	11	6	35	48	2.005	0.977
The county government can implement all of the budgeted infrastructure projects	0	4	7	39	50	2.177	0.954
Overall Mean and SD						2.237	0.954

SA=Strongly Agree, A=Agree, 3=Neutral, D=Disagree, and SD=Strongly Disagree Std=Standard Deviation

According to the findings in Table 10, 64 percent of the respondents strongly disagreed that the County Government of Bungoma can meet all its financial obligations on time, 29 percent disagreed, 2 percent were undecided, and 5 percent agreed, resulting in a mean of 2.403 and a standard deviation of 0.978. This indicates that most respondents perceived delays in payment of obligations, reflecting liquidity and cash-flow challenges. Muthoni and Kamau (2021) note that many county governments depend heavily on equitable revenue transfers from the national government, and delayed disbursements often leave counties unable to settle obligations promptly. Limited own-source revenue capacity through local taxes, levies, and fees further constrains timely payments, supporting the Public Financial Management (PFM) Theory that weak fiscal discipline impairs service delivery.

Furthermore, 54 percent of the respondents strongly disagreed and 30 percent disagreed that the county government can provide all its devolved services; 8 percent were undecided, and 5 percent agreed, yielding a mean score of 2.307 and a standard deviation of 0.938. These findings reveal that financial shortfalls directly affect service provision. Under the PFM framework (Allen & Tommasi, 2001), budget credibility and expenditure control are prerequisites for effective devolved service delivery. The persistent underfunding and delayed execution of budgets therefore undermine the realization of county mandates.

In addition, 38 percent of respondents strongly disagreed and 43 percent disagreed that the county government pays all its creditors on time, while 4 percent were undecided, 6 percent agreed, and 9 percent strongly agreed, with a mean of 2.145 and a standard deviation of 0.907. This suggests that a majority view the county as unable to honor its obligations promptly. Kamau (2023) observed that many Kenyan counties routinely roll over pending bills from one fiscal year to another, creating a growing stock of unpaid debts. This finding also resonates with Agency Theory, which explains that misaligned incentives between public officers (agents) and citizens (principals) may lead to lax accountability and accumulation of arrears.

Further, 43 percent of respondents strongly disagreed and 34 percent disagreed that the county government has enough cash flow to meet its financial obligations, 7 percent were neutral, 5 percent agreed, and 11 percent strongly agreed, producing a mean of 2.387 and a standard deviation of 0.969. The results point to significant liquidity constraints. Buchheit, DeLong, and Zettelmeyer (2019) contend that in many devolved units, a large share of expenditure goes to recurrent costs mainly salaries and allowances leaving minimal fiscal space for debt servicing and development spending. This pattern

reflects weak expenditure prioritization and limited adherence to PFM principles of allocative efficiency.

Similarly, 48 percent of respondents strongly disagreed and 35 percent disagreed that the county government pays all of its recurrent expenditures on time; 6 percent were neutral and 11 percent agreed, yielding a mean of 2.005 and a standard deviation of 0.977. These findings suggest chronic delays in meeting recurrent obligations, likely due to cash-flow volatility and budget execution inefficiencies. From an Agency perspective, such inefficiencies may also stem from inadequate monitoring and control mechanisms over financial managers.

Moreover, 50 percent of respondents strongly disagreed and 39 percent disagreed that the county government is able to implement all budgeted infrastructure projects, 7 percent were undecided, and 4 percent agreed, with a mean of 2.177 and a standard deviation of 0.954. This pattern signals persistent under-implementation of development projects. Wang (2018) explains that counties often prepare overly optimistic budgets with unrealistic revenue forecasts, leading to funding gaps and incomplete projects. This outcome reinforces the argument of PFM Theory that credible revenue projections and prudent fiscal planning are central to effective financial management.

The overall mean of 2.237 and a standard deviation of 0.954 reflect a general perception of weak financial performance within the County Government of Bungoma. The relatively high standard deviation indicates variability in experiences across departments, suggesting inconsistent financial practices and uneven adherence to fiscal regulations. Consistent with both Public Financial Management Theory and Agency Theory, these results underscore the importance of accountability, fiscal discipline, and institutional oversight in improving county financial stability and service delivery.

4.6 Correlation Analysis

Correlation is a technique for investigating the relationship between two quantitative, continuous variables. The study adopted Pearson correlation analysis. Pearson's correlation coefficient(r)measures the strength of the association between the two variables.

Table 12

Correlation Matrix

		Credit Monitoring Strategy	Revenue Generation Strategy	Dispute Management Strategy	Debt Restructuring Strategy
Credit Monitoring Strategy	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	70			
Revenue Generation Strategy	Pearson Correlation	.181	1		
	Sig. (2-tailed)	.160			
	N	70	70		
Dispute Management Strategy	Pearson Correlation	.116	.130	1	
	Sig. (2-tailed)	.370	.314		
	N	70	70	70	
Debt Restructuring Strategy	Pearson Correlation	.161	-.159	.026	1
	Sig. (2-tailed)	.211	.218	.839	
	N	70	70	70	70
Financial Performance	Pearson Correlation	.443	.441	.541	.641
	Sig. (2-tailed)	.000	.000	.000	.000
	N	70	70	70	70

From the findings presented in Table 12, there is a positive and statistically significant correlation between credit monitoring strategy and the financial performance of the

County Government of Bungoma ($r = 0.443$; $p = 0.000$). This implies that effective credit monitoring practices enhance the financial performance of the county government. These findings align with Protase (2022), who asserts that efficient credit monitoring enables early identification of potential credit risks and payment issues, allowing the organization to respond proactively. Such measures help minimize defaults, prevent financial losses, and ensure timely collection of receivables, thereby improving cash flow and reducing the incidence of overdue payments.

In addition, the study established a positive and statistically significant correlation between revenue generation strategy and the financial performance of the County Government of Bungoma ($r = 0.441$; $p = 0.000$). This suggests that an effective revenue generation strategy enhances financial performance. The findings correspond with those of Ndunda, Muturi, and Wanyoike (2020), who found that implementing a robust revenue generation framework such as diversifying income sources reduces dependency on a single revenue stream and promotes greater fiscal stability. By optimizing tax administration, pricing, and compliance mechanisms, an organization can expand its revenue base and improve overall financial outcomes.

Furthermore, the study revealed a strong positive correlation between dispute management strategy and the financial performance of the County Government of Bungoma ($r = 0.541$; $p = 0.000$). This indicates that effective dispute management mechanisms positively contribute to financial performance. The findings are consistent with Njamwea (2022), who demonstrated that efficient dispute resolution reduces the frequency and duration of legal conflicts, thereby lowering legal expenses and administrative costs. Quick and transparent dispute resolution facilitates faster recovery of pending payments, strengthens stakeholder relationships, and improves cash flow stability.

Finally, the results show a strong positive correlation between debt restructuring strategy and the financial performance of the County Government of Bungoma ($r = 0.641$; $p = 0.000$). This means that effective debt restructuring significantly enhances financial performance. These results are consistent with Muthoni and Kamau (2021), who noted that restructuring involves renegotiating loan terms to lower interest rates or extend repayment periods, thereby reducing debt service costs and improving liquidity. Well-structured debt management practices optimize resource allocation and strengthen the county's capacity to finance essential public services and development initiatives.

4.7 Diagnostic Tests

4.7.1 Autocorrelation Assumption Test

Autocorrelation refers to the correlation between observations within a single variable over different time periods. An autocorrelation test, also called a test for serial correlation, is a statistical test used to determine the presence of autocorrelation. The results of the test of the autocorrelation assumption are presented in Table 13.

Table 13

Autocorrelation Assumption Test Results

Variable	Durbin-Watson
Credit monitoring strategy	2.345
Revenue management strategy	2.446
Dispute management strategy	2.235
Debt restructuring strategy	2.347
Financial performance	1.897

The findings revealed that the Watson statistic value of the credit monitoring strategy was 2.345, the Durbin-Watson statistic value for the revenue management strategy was 2.446, the Durbin-Watson statistic value for the dispute management strategy was 2.235, and for the debt restructuring strategy was 2.347, and for the financial performance of

the county government of Bungoma was 1.897. This implies that the study variables had independent errors. After all, it meets the threshold of Durbin-Watson between 0 and 4.

4.7.2 Normality Assumptions Test

Normality refers to the characteristic of a distribution being normal or approximately normally distributed. A normality test is a statistical test used to determine whether a dataset follows a normal distribution. The essence of conducting a normality test is to assess the assumption of normality for a dataset. The study conducted a normality test to determine whether the data are normally distributed or not. The result of the normality test is indicated in Table 14.

Table 14

Normality Assumption Test Results

Variable	Kolmogorov- Smirnov	Sig
Credit monitoring strategy	.282	.667
Revenue management strategy	.228	.877
Dispute management strategy	.236	.912
Debt restructuring strategy	.174	.871
Financial performance	.236	.877

The normality assumption test results in Table 13 established that the data were normally distributed, since the significance values for the Kolmogorov-Smirnov test were greater than 0.05. The study findings indicated that the credit monitoring strategy had a Kolmogorov-Smirnov significance value of $p = 0.282$, which is greater than 0.05. The revenue management strategy had a Kolmogorov-Smirnov significance value of $p = .228$, which is greater than 0.05. Dispute management strategy had a Kolmogorov-Smirnov significance value of $p=.236>0.05$. The debt restructuring strategy had a Kolmogorov-Smirnov significance value of $p = .174$, which is greater than 0.05. The financial performance of the county government of Bungoma had a Kolmogorov-

Smirnov significance value of $p = 0.236$, which is greater than 0.05. Since the p-values were greater than the significance level (0.05), this implies that the data were normally distributed.

4.7.3 Multicollinearity Test

Multicollinearity refers to a statistical phenomenon in which two or more independent variables in a regression model are highly correlated with each other. A study conducted a multicollinearity test to determine whether the predictor variables are highly correlated with each other, and if so, to what degree. The study result is presented in Table 15.

Table 15

Multicollinearity Assumption Test Results

Variables	Tolerance	VIF
Credit monitoring strategy	.782	1.279
Revenue management strategy	.673	1.486
Dispute management strategy	.567	1.764
Debt restructuring strategy	.786	1.272
Financial performance	.678	1.475

From the findings the tolerance and variance inflation factor value for the credit monitoring strategy (tolerance=0.782 and VIF=1.279), for the revenue management strategy (tolerance=0.673 and VIF=1.486), for the dispute management strategy (tolerance=0.567 and VIF=1.764), for the debt restructuring strategy (tolerance=0.786 and VIF=1.272), and for the financial performance of the county government of Bungoma (tolerance=0.678 and VIF=1.475). The study results indicate that all tolerance values for the five variables under study were above 0.10, and the VIF values were all less than 10; this suggests that the data used did not exhibit multicollinearity.

4.8 Multiple Regression Analysis

The researcher sought to determine the value of R^2 . The R-squared is the proportion of variance in the dependent variable that can be explained by the independent variables.

Table 16

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.836 ^a	.699	.678	.3873	.000

The findings indicate that the R-squared value for the study was 0.699, meaning that 69.9% of the variation in the financial performance of the County Government of Bungoma can be explained by the four independent variables credit monitoring strategy, revenue management strategy, dispute management strategy, and debt restructuring strategy. This demonstrates that the model has a strong explanatory power, implying that credit management strategies play a significant role in determining the county's financial performance. The remaining 30.1% of the variation is attributed to other factors not captured in the study, such as government policies, political influences, staff competence, macroeconomic conditions, and technological infrastructure.

The results suggest that enhancing credit management strategies could substantially improve the county's financial outcomes. County finance officers and policymakers should therefore prioritize strengthening credit monitoring systems, improving revenue management practices, ensuring timely resolution of disputes, and adopting structured debt restructuring approaches. The fact that these strategies collectively explain a large portion of financial performance variation underscores the need for a strategic focus on credit management as a key driver of financial stability and sustainability.

The analysis of variance in this study was used to determine whether the model is a good fit for the data. The findings are indicated in Table 17.

Table 17

Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22.123	4	5.531	37.626	.000 ^b
Residual	9.532	65	.147		
Total	31.655	69			

- a. Dependent Variable: Financial performance of the County Government of Bungoma
- b. Predictors: (Constant), (Credit monitoring strategy, revenue generation strategy, dispute management strategy, and debt restructuring strategy).

The findings indicate that the model has a p-value of 0.000, which is less than the conventional significance level of 0.05. This means that the model is statistically significant and effectively predicts the impact of the four independent variables credit monitoring strategy, revenue management strategy, dispute management strategy, and debt restructuring strategy on the financial performance of the County Government of Bungoma. The low p-value suggests that the combined effect of these variables on financial performance is not due to chance, implying that credit management strategies have a meaningful and measurable influence on the county's financial outcomes.

Furthermore, the F-value of 37.626 supports the conclusion that the overall model is a good fit for explaining the relationship between the independent variables and financial performance. This indicates that the model reliably captures the collective influence of the four credit management strategies on financial performance, and that improvements in these strategies are likely to lead to enhanced financial results. The strong model fit reinforces the importance of adopting comprehensive and well-coordinated credit management practices to ensure sound financial management and sustainability within

the County Government of Bungoma. Table 18 shows the overall significant test results for the hypothesized research model.

Table 18
Regression Coefficients

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.564	.145		.389	.796
Credit Monitoring Strategy	.766	.107	.548	7.159	.023
Revenue Generation Strategy	.233	.124	.245	1.879	.016
Dispute Management Strategy	.245	.104	.179	2.356	.022
Debt Restructuring Strategy	.323	.106	.360	3.047	.003

The interpretations of the findings follow the following regression model.

$$Y = 0.564 + 0.766X_1 + 0.233 X_2 + 0.245X_3 + 0.323X_4 \dots\dots\dots 4.1$$

According to the intercept (β_0), when the four independent variables are held constant, the value of the financial performance of the County Government of Bungoma will be 0.564. In addition, holding all the other independent variables constant, a unit increase in the credit monitoring strategy would lead to a 0.766 improvement in the financial performance of the County Government of Bungoma. The study findings are in line with Mburu, Mwangi, and Muathe (2020), who stated that credit monitoring provides insights into the performance of credit accounts, allowing the organization to make informed decisions about adjusting credit terms, such as extending or reducing credit limits. Effective monitoring can offer leverage in negotiating better credit terms or conditions with suppliers or lenders based on the organization's credit performance.

Further, holding all the other independent variables constant, a unit increase in revenue generation strategy would lead to a 0.233 improvement in the financial performance of the

County Government of Bungoma. The study findings are in line with those of Garcia and Martinez (2021), who showed that better revenue generation leads to more consistent and predictable cash flow, which is crucial for meeting financial obligations and investing in growth opportunities. Reliable cash flow from improved revenue helps reduce financial pressure and the need for short-term borrowing or emergency funding. A strong revenue generation strategy often includes optimizing resources and processes to support higher sales and efficient operations. Increased revenue can enable investments in technology and systems that improve operational efficiency and productivity.

Further, holding all the other variables constant, a unit increase in dispute management strategy would lead to a 0.245 improvement in the financial performance of the County Government of Bungoma. The study findings are in line with Wangari and Wamae (2023), who revealed that efficient dispute management minimizes operational disruptions caused by disputes, allowing the organization to maintain focus on core business activities and productivity. Effective dispute resolution helps maintain positive relationships with clients, suppliers, and other stakeholders, fostering trust and long-term collaboration.

Finally, holding all the other variables constant, a unit increase in debt restructuring strategy would lead to a 0.323 improvement in the financial performance of the County Government of Bungoma. The findings are in line with Maresi (2021), which showed that effective restructuring improves debt management by consolidating or extending debt, reducing the risk of financial distress, and enhancing long-term stability. By addressing debt repayment issues proactively, restructuring helps prevent defaults and associated penalties, protecting the organization's financial health.

4.9 Hypothesis Testing

The first null hypothesis (H_{01}) stated that the credit monitoring strategy has no significant effect on the financial performance of the County Government of Bungoma. However, the study findings revealed there is a significance value of 0.023, which is below 0.05, leading to the rejection of the null hypothesis which indicate that credit monitoring strategy has a significant effect on the financial performance of the County Government of Bungoma. These findings align with Protase (2022), who emphasized that effective credit monitoring helps identify potential credit risks early, enabling organizations to mitigate payment issues proactively. This, in turn, minimizes the risk of defaults, enhances cash flow, and ensures timely collections of receivables.

The second null hypothesis (H_{02}) proposed that revenue management strategy has no statistical effect on the financial performance of the County Government of Bungoma. The study found a significance value of 0.016, which is below 0.05, leading to the rejection of the null hypothesis. This confirms that revenue management strategy has a statistical effect on financial performance of the County Government of Bungoma. These results are consistent with the findings of Ndunda, Muturi, and Wanyoike (2020), who stated that a well-structured revenue strategy diversifies income sources, reducing dependency on a single revenue stream and enhancing financial stability. Moreover, by optimizing pricing, marketing, and sales strategies, institutions can boost sales volume, leading to increased revenue and improved profit margins.

The third null hypothesis (H_{03}) suggested that dispute management strategy has no statistical effect on the financial performance of the County Government of Bungoma. The study reported a significance value of 0.002, which is below 0.05, resulting in the rejection of the null hypothesis. This implies that dispute management strategy has a statistical effect on the financial performance of the County Government of Bungoma.

These findings are in agreement with Njamwea (2022), who observed that efficient dispute resolution minimizes the duration and frequency of legal conflicts, reducing associated legal fees and costs. Additionally, effective dispute resolution enhances the speed of payment recovery, leading to improved cash flow and financial stability.

The fourth null hypothesis (H_{04}) posited that debt restructuring strategy has no statistical effect on the financial performance of the County Government of Bungoma. The study found a significance value of 0.003, which is below 0.05, prompting the rejection of the null hypothesis. This confirms that debt restructuring strategy has a statistical effect on the financial performance of the County Government of Bungoma. The findings align with the research by Muthoni and Kamau (2021), which highlights that debt restructuring allows organizations to renegotiate loan terms, such as lowering interest rates or extending repayment periods. This adjustment reduces periodic debt servicing costs, enhances cash flow, and decreases the overall borrowing cost over the loan's lifespan.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a detailed summary of the major findings of the actual study; it then draws conclusions and discusses implications emanating from these findings. Finally, it makes some recommendations and suggestions on areas of further study. The main aim of this study was to determine the effect of credit management strategies on the financial performance of the county government of Bungoma.

5.2 Summary of Major Findings

The study sought to determine a summary of the study's key major findings. The summary was categorized in terms of specific objectives.

5.2.1 Credit Monitoring Strategy on Financial Performance of Bungoma County

The study revealed that regular credit reviews enable the County Government of Bungoma to identify potential credit risks and challenges at an early stage. The study also revealed that credit risk assessment enables the county government to identify and evaluate key risk factors that may impact its financial stability. In addition, the study revealed that monitoring credit ratings serves as an important indicator of the County Government of Bungoma's financial health. Finally, the finding revealed that there is a positive and statistically significant correlation between credit monitoring strategy and the financial performance of the county government of Bungoma ($r=0.443$; $p=0.000$). From the findings hypothesis the sig value was 0.23 which is less than 0.05, therefore the study rejected the null hypothesis and concluded that credit monitoring strategy significantly affects the financial performance of the county government of Bungoma.

5.2.2 Revenue Management Strategy on Financial Performance of Bungoma County

The study also revealed that revenue growth provides the County Government of Bungoma with additional financial resources, enhancing its fiscal capacity to fund essential services. Also, the study revealed that efficient tax collection ensures a stable revenue source for the county. In addition, the study revealed that enhanced tax collection efficiency helps the government reduce budget deficits and maintain fiscal discipline. Moreover, the study revealed that diversifying revenue sources reduces the county's dependence on a single income stream. Finally, the study indicates that there is a positive and statistically significant correlation between revenue generation strategy and financial performance of the county government of Bungoma ($r=0.441$; $p=0.000$). From the findings on hypothesis testing, the sig value was 0.016 which is less than 0.05; therefore, the study rejected the null hypothesis and concluded that revenue management strategy significantly affects the financial performance of the county government of Bungoma.

5.2.3 Dispute Management Strategy on Financial Performance of Bungoma County

The study further revealed that strong internal controls help prevent credit disputes from arising in the first place by ensuring accuracy and integrity in financial transactions. Also, the study revealed that credit negotiation enables the County Government of Bungoma to explore options for credit restructuring. Also, the findings revealed that effective credit negotiation helps mitigate the risk of default from debtors, which ensures financial liquidity. Finally, the findings revealed that there is a strong positive correlation between dispute management strategy and the financial performance of the county government of Bungoma ($r=0.541$; $p=0.000$). From the findings on hypothesis testing, the sig value was 0.002 which is less than 0.05; therefore, the study rejected the null

hypothesis and concluded that dispute management strategy has no statistical effect on the financial performance of the county government of Bungoma.

5.2.4 Debt Restructuring Strategy on Financial Performance of Bungoma County

The study revealed that by allowing debtors more time to fulfill their payment obligations, the government could minimize the risk of default. The study also revealed that by consolidating its debts with individual debtors, the County Government of Bungoma can simplify its debt management processes. In addition, the study revealed that debt consolidation provides the government with increased leverage and negotiating power when dealing with debtors. Further, the study revealed that by refinancing debts at more favorable terms, such as longer repayment periods, the county government can improve its liquidity. Moreover, the study revealed that by refinancing debts at more favorable terms, the county government can strengthen its relationships with debtors, minimizing the risk of default or delinquency. Finally, the findings established that a strong positive correlation existed between debt restructuring strategy and the financial performance of the county government of Bungoma ($r=0.641$; $p=0.000$). From the findings on the hypothesis testing the sig value was 0.003 which is less than 0.05; therefore, the study rejected the null hypothesis and concluded that debt restructuring strategy statistically affects financial performance of county government of Bungoma.

5.3 Conclusions

5.3.1 Credit Monitoring Strategy on Financial Performance of Bungoma County

Regarding the effect of credit monitoring strategy on financial performance, the study concluded that credit monitoring strategy has a positive and statistically significant influence on the financial performance of the County Government of Bungoma. The findings indicate that regular credit reviews and systematic monitoring of debtors enable

the county to identify potential defaults early and implement corrective measures promptly. This practice enhances financial discipline, reduces the accumulation of non-performing debts, and improves liquidity. Furthermore, consistent credit risk assessments help the county government quantify its exposure to credit-related risks and maintain a stable credit portfolio. Overall, effective credit monitoring strengthens accountability and promotes prudent fiscal management, thereby improving the county's overall financial performance.

5.3.2 Revenue Management Strategy on Financial Performance of Bungoma County

Based on the findings on the effect of revenue management strategy on financial performance, the study concluded that sustainable revenue management strategy positively and significantly affects the financial performance of Bungoma County Government. The results showed that counties with strong revenue management frameworks achieve greater financial stability through improved revenue collection and reduced dependency on external borrowing. The study concluded that effective tax administration, enhanced compliance mechanisms, and diversification of revenue sources collectively contribute to fiscal sustainability. In particular, efficient revenue collection reduces the need for short-term borrowing and helps minimize interest-related costs. Therefore, sustainable revenue management practices are critical for ensuring consistent cash flow, better budget implementation, and enhanced service delivery capacity.

5.3.3 Dispute Management Strategy on Financial Performance of Bungoma County

From the findings of the study on the effect of dispute management strategy on financial performance, the study concluded that effective dispute management strategy has a positive and statistically significant effect on the financial performance of the County

Government of Bungoma. The results revealed that establishing clear, timely, and transparent mechanisms for handling credit-related disputes minimizes revenue leakages and legal expenses. Effective internal control systems and negotiation-based dispute resolution approaches enhance trust and cooperation between the county and its debtors. By resolving disputes efficiently and maintaining accurate documentation, the county avoids unnecessary litigation costs and preserves vital relationships with stakeholders. Consequently, a well-structured dispute management framework strengthens operational efficiency and contributes to improved financial outcomes.

5.3.4 Debt Restructuring Strategy on Financial Performance of Bungoma County

According to the findings of the study on the effect of debt restructuring strategy on financial performance, the study concluded that debt restructuring strategy significantly and positively influences the financial performance of Bungoma County Government. The empirical results demonstrated that reorganizing debt portfolios through consolidation or renegotiation of payment terms helps reduce the financial strain on the county. By extending repayment periods, lowering interest obligations, and improving debt management efficiency, the county can allocate more resources toward development and essential services. Furthermore, effective debt restructuring enhances fiscal flexibility and strengthens the county's creditworthiness. Overall, prudent debt restructuring supports long-term financial stability and sustainable economic performance within the county government framework.

5.4 Recommendation

Based on the findings and conclusions of the study, several recommendations are proposed to strengthen the financial performance of the County Government of Bungoma through effective credit management strategies.

The study established that weaknesses in credit monitoring significantly contribute to the accumulation of arrears, delayed repayments, and liquidity constraints. It is therefore recommended that the County Government of Bungoma strengthen its credit monitoring systems in accordance with the Public Finance Management Act (2012). This can be achieved by establishing a comprehensive credit tracking framework to continuously monitor receivables, identify emerging defaults, and enhance fiscal transparency. The county should adopt digital tools for real-time credit monitoring, ensure regular reconciliation of debtor records, and conduct periodic credit audits. Integrating credit data into the Integrated Financial Management Information System (IFMIS) would promote accountability and efficiency in managing public debts.

The study also revealed that ineffective revenue management systems and delayed disbursements negatively affect financial performance. To address this, the County Government should enhance its revenue management strategies by modernizing and automating revenue collection processes. The adoption of electronic tax collection systems, mobile payment platforms, and robust enforcement mechanisms would minimize revenue leakages and improve compliance. In addition, the county should align its revenue mobilization efforts with the County Revenue Administration Regulations (2020) and the Public Finance Management Act (2012) to promote consistency and transparency. Regular taxpayer education campaigns should also be implemented to encourage voluntary compliance and broaden the tax base, thereby improving the county's revenue capacity and financial sustainability.

The study further found that unresolved disputes between the county and its debtors or taxpayers contribute to inefficiencies and erode public trust in county institutions. Consequently, the County Government should institutionalize an effective dispute management framework guided by the County Governments Act (2012) and the National

Policy on Alternative Dispute Resolution (2016). Establishing a dedicated unit within the finance department to handle billing disputes, reconcile arrears, and provide accessible complaint resolution mechanisms would reduce legal costs and enhance public confidence in the county's financial administration. Ensuring transparency, timeliness, and fairness in the dispute resolution process would also strengthen the relationship between the county government, businesses, and residents.

Moreover, the study established that high levels of debt and unpaid bills adversely affect the financial performance of the county. It is therefore recommended that the County Government of Bungoma implement a structured debt restructuring strategy. This should involve a comprehensive assessment of the county's debt portfolio, renegotiation of repayment terms where necessary, and prioritization of debt servicing to prevent further accumulation of arrears. The county should also establish a Debt Management Committee within the County Treasury to oversee all borrowing and repayment processes in line with the Public Finance Management (County Governments) Regulations, 2015. Additionally, the preparation of an annual Debt Sustainability Report, as required by national legislation, would guide future borrowing decisions and promote long-term fiscal stability.

In addition, the study concluded that weak institutional and policy frameworks undermine the effectiveness of credit management in county governments. To address this, the County Assembly should develop and enact comprehensive credit management policies aligned with national financial management laws to govern debt collection, credit approval, and write-offs. Capacity-building programs for county finance officers should be institutionalized to improve technical competence in credit analysis, debt restructuring, and fiscal risk management. Oversight institutions such as the Office of the Controller of Budget and the Office of the Auditor-General should also strengthen their

monitoring and evaluation of county financial operations to ensure compliance with established laws and standards.

Further, the study recommends that the County Government of Bungoma promote fiscal transparency and accountability to reinforce sustainable financial performance. This should be achieved by publishing quarterly debt and financial performance reports, ensuring public access to budget information, and engaging citizens in budget forums and fiscal decision-making processes. These initiatives, in line with the Public Finance Management Act (2012), will enhance community oversight, build public confidence, and foster responsible fiscal behaviour within the county administration.

5.4.1 Policy Recommendations

Based on the findings of the study, the following recommendations were made:

The County Government of Bungoma should prioritize regular credit reviews and implement robust credit risk assessment frameworks to effectively manage its credit portfolio. This includes developing a system for continuous monitoring of debtor credit ratings to ensure favorable standings. Additionally, the county government should invest in training and capacity building for its credit management teams to enhance their ability to identify, assess, and mitigate credit-related risks, thereby boosting financial performance.

To enhance financial stability, the County Government of Bungoma should adopt sustainable revenue growth measures, such as expanding the tax base and improving tax collection efficiency. Leveraging modern technology for revenue collection and establishing clear policies to minimize tax evasion would reduce reliance on volatile funding sources. Moreover, diversifying revenue streams beyond traditional sources, such as land rates and house rents, can ensure a consistent flow of funds to priority areas, ultimately improving financial performance.

The County Government of Bungoma should strengthen its internal controls to facilitate the timely identification and resolution of credit disputes. Establishing a structured negotiation process and alternative dispute resolution mechanisms would help the government avoid costly legal battles. Additionally, the county should invest in maintaining comprehensive documentation and legal reviews of all dispute resolutions to enhance transparency and accountability, thereby reducing credit-related risks and improving financial outcomes.

To optimize debt management, the County Government of Bungoma should consider extending payment terms for debtors where feasible to foster goodwill and improve repayment rates. Debt consolidation should also be prioritized to centralize collection efforts and streamline debt management processes. Furthermore, the county government should actively negotiate for more favorable terms when consolidating debts, such as lower interest rates and extended repayment periods, to reduce financial pressure and enhance overall financial performance.

5.4.2 Recommendation for Further Research

A future study could be conducted to explore the influence of the adoption of technology on digital platforms on credit management strategies, such as credit monitoring, revenue collection, and dispute resolution. The researcher suggested that a further study could be conducted to investigate the effect of political and governance structures on the implementation and effectiveness of credit management strategies. This would provide insights into the role of leadership and policy direction in financial management.

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APPENDICES

Appendix I: Letter of Introduction

Dear Respondent,

Ref: Request for Permission to Collect Data

I Kellar Nakhumwa of the above stated address am a postgraduate student at Kabarak University. As part of my fulfillment to the requirement of the said program, I am currently undertaking a research field work for the purpose of writing my project. The topic of my research is; **“Credit Management Strategies on Financial Performance of County Government of Bungoma”**. In regard to data collected, I hereby and committed declare that the information provided will be strictly be limited to academic purpose only. Participation is voluntary and a respondent can terminate his/her participation at any point without giving any reasons.

Yours Faithfully,



Kellar Nakhumwa

Appendix II : Research Questionnaire

Instructions

Kindly fill in the questionnaires provided hence assures you that the information given will be treated with utmost confidentiality and will be used for the sole purpose of this study.

Section A: Background Information

1. What is your designation in the county government?

Credit Control Officers	[]
County Treasury Staff	[]
Accounting Officers	[]
Revenue Collection Officer	[]

2. How many years have you worked in the county government?

Less than 1 year	[]
1-3 years	[]
4-6 years	[]
More than 6 years	[]

3. What is your highest level of education?

Certificate	[]
Diploma	[]
Bachelor's Degree	[]
Master's Degree	[]

4. How frequently are you involved in financial decision-making in the county government?

Very Frequently	[]
Frequently	[]
Occasionally	[]
Rarely	[]

Section B: Credit Monitoring Strategy

1 Indicate your level of agreement on the effect of credit monitoring strategy on the financial performance of the county government of Bungoma. In a scale of 1-5, where; 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree

Statements	1	2	3	4	5
Regular credit reviews enable the County Government of Bungoma to identify potential credit risks and challenges at an early stage.					
Through regular credit reviews, the government can assess the composition and structure of its credit portfolio					
Credit risk assessment enables the county government to identify and evaluate key risk factors that may impact its financial stability.					
Through credit risk assessment, the county government can quantitatively measure its exposure to various credit-related risks					
Monitoring credit ratings serves as an important indicator of the County Government of Bungoma's financial health.					
Maintaining favorable credit ratings of debtors enhances the government's credibility					

Section C: Revenue Generation Strategy

2. Indicate your level of agreement on the effect of revenue management strategy on the financial performance of the county government of Bungoma. In a scale of 1-5, where; 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree.

Statements	1	2	3	4	5
Revenue growth provides the County Government of Bungoma with additional financial resources, enhancing its fiscal capacity to fund essential services					
Sustainable revenue growth contributes to improved financial stability for the government by reducing reliance on volatile sources of funding					

Efficient tax collection ensures a stable revenue source for the county.					
Effective tax collection reduces the need for additional borrowing, minimizing interest costs					
Enhanced tax collection efficiency helps the government reduce budget deficits and maintain fiscal discipline					
Effective tax collection enables the government to allocate resources more efficiently to priority areas such as healthcare					
Diversifying revenue sources reduces the county's dependence on a single income stream					
A diversified revenue base provides long-term stability, ensuring a consistent flow of funds.					

Section D: Dispute Management Strategy

3. Indicate your level of agreement on the effect of dispute management strategy on the financial performance of the county government of Bungoma. In a scale of 1-5, where; 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree.

Statements	1	2	3	4	5
Strong internal controls help prevent credit disputes from arising in the first place by ensuring accuracy and integrity in financial transactions					
Effective internal controls facilitate the timely identification and resolution of credit disputes with debtors when they do occur					
Credit negotiation enables the County Government of Bungoma to explore options for credit restructuring					
By reaching amicable resolutions through negotiation rather than litigation, the county government can avoid protracted legal battles, minimize legal expenses					
Effective credit negotiation helps mitigate the risk of default from debtors which ensure financial liquidity					
Legal review ensures the proper documentation and record-keeping of debtor dispute resolution processes					

Section E: Debt Restructuring Strategy

3. Indicate your level of agreement on the effect of debt restructuring strategy on financial performance of county government of Bungoma. In a scale of 1-5, where; 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree

Statements	1	2	3	4	5
By allowing debtors more time to fulfill their payment obligations, the government can minimize the risk of default.					
Extending payment terms with debtors can help preserve positive relationships and goodwill between the government and its stakeholders					
By consolidating its debts with individual debtors, the County Government of Bungoma can simplify its debt management processes					
Debt consolidation facilitates more efficient collections by centralizing the government's efforts and resources on a single consolidated debt obligation					
Debt consolidation provides the government with increased leverage and negotiating power when dealing with debtors.					
By consolidating multiple debts into a single obligation, the county government can negotiate more favorable terms, such as extended payment schedules					
By refinancing debts at more favorable terms, such as longer repayment periods the county government can improve its liquidity					
Debt refinancing allows the government to restructure its debt portfolio with individual debtors to better align with its financial objectives					
By refinancing debts at more favorable terms, the county government can strengthen its relationships with debtors minimizing the risk of default or delinquency					

Section F: Financial Performance

9. Indicate your level of agreement on the financial performance of the county government of Bungoma. In a scale of 1-5, where; 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree

Statements	1	2	3	4	5
The county government is able to meet all its financial obligations on time					
The county government is able to provide all its devolved services					
The county government is able to pay all the creditors on time					
The county government has enough cash flow to meet financial obligations					
The county government is able to pay all of its recurrent expenditure on time					
The county government is able to implement all of the budgeted infrastructure projects					

Thank you for your Participation

Appendix III: KUREC Clearance Letter



KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

Private Bag - 20157
KABARAK, KENYA
Email: kurec@kabarak.ac.ke

Tel: 254-51-343234/5
Fax: 254-051-343529
www.kabarak.ac.ke

OUR REF: KABU01/KUREC/001/04/10/24

Date: 11th Oct, 2024

Kellar Nakhumwa
Reg No.: GMB/NE/0187/01/19
Kabarak University,

Dear Kellar,

RE: CREDIT MANAGEMENT STRATEGIES ON THE FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF BUNGOMA.

This is to inform you that **KUREC** has reviewed and approved your above research proposal. Your application approval number is **KUREC-041024**. The approval period is **11/10/2024 – 11/10/ 2025**.

This approval is subject to compliance with the following requirements:

- i. All researchers shall obtain an introduction letter to NACOSTI from the relevant head of institutions (Institute of postgraduate, School dean or Directorate of research)
- ii. The researcher shall further obtain a RESEARCH PERMIT from NACOSTI before commencement of data collection & submit a copy of the permit to **KUREC**.
- iii. Only approved documents including (informed consents, study instruments, MTA Material Transfer Agreement) will be used
- iv. All changes including (amendments, deviations, and violations) are submitted for review and approval by **KUREC**:
- v. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **KUREC** within 72 hours of notification;
- vi. Any changes, anticipated or otherwise that may increase the risk(s) or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to **KUREC** within 72 hours;
- vii. Clearance for export of biological specimens must be obtained from relevant institutions and submit a copy of the permit to **KUREC**;
- viii. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal and;
- ix. Submission of an executive summary report within 90 days upon completion of the study to **KUREC**

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jackson Kitetu'.

Prof. Jackson Kitetu PhD.

KUREC-Chairman

Cc Vice Chancellor
DVC-Academic & Research
Registrar-Academic & Research
Director-Research Innovation & Outreach
Institute of Post Graduate Studies





*As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord.
(1 Peter 3:15)*



Kabarak University is ISO 9001:2015 Certified


Appendix IV: NACOSTI Research Permit


REPUBLIC OF KENYA


**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **804035** Date of Issue: **28/October/2024**

RESEARCH LICENSE




This is to Certify that Miss. Kellar Nakhumwa of Kabarak University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Bungoma on the topic: CREDIT MANAGEMENT STRATEGIES ON THE FINANCIAL PERFORMANCE OF THE COUNTY GOVERNMENT OF BUNGOMA for the period ending : 28/October/2025.

License No: **NACOSTI/P/24/41449**

804035
Applicant Identification Number

Walthero
Director General
**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION**

Verification QR Code



**NOTE: This is a computer generated License. To verify the authenticity of this document,
Scan the QR Code using QR scanner application.**

See overleaf for conditions

Appendix V: Evidence of Conference Participation



Appendix VI: List of Publication



African Journal of Emerging Issues
(AJOEI)
Online ISSN: 2663 - 9335
Available at: <https://ajoeijournals.org>

ECONOMICS

EFFECT OF DEBT RESTRUCTURING STRATEGY ON THE FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF BUNGOMA

¹*Kellar Nakhumwa

School of Business and Economics. Kabarak University

E-mail of Corresponding Author: Kellarbenz@gmail.com

²Dr. Stella Cherai Korir

School of Business and Economics. Kabarak University

³Dr. Nehemiah Kiplagat, PhD

School of Business and Economics. Kabarak University

Publication Date: October 2025

ABSTRACT

Purpose of Study: This study sought to examine the effect of debt restructuring strategy on the financial performance of the County Government of Bungoma.

Problem Statement: County governments in Kenya play a pivotal role in advancing economic growth, social development and the realization of devolution objectives. However, despite these financing mechanisms, many devolved units continue to face persistent fiscal stress due to rising expenditure demands, revenue shortfalls and accumulation of pending bills. In Bungoma County, financial performance remains below optimal levels despite significant allocations from both national transfers and internally generated revenues.

Methodology: The study adopted a correlational research design and targeted 86 staff at the county government of Bungoma involved in credit management. The study used a census technique and adopted a correlational research design. Primary data was collected through a structured questionnaire. Both descriptive and inferential statistics were employed in the study. After analysis, data was presented in the form of tables.

Result: The findings revealed that a unit increase in debt restructuring strategy would lead to a 0.323 improvement in the financial performance of the County Government of Bungoma. From the findings, the study concluded that debt restructuring strategy has a statistically significant effect on the financial performance of the County Government of Bungoma.