

Equitable Share Distribution and Financial Sustainability of County Governments in Western Kenya

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Abstract- County governments in Kenya rely substantially on the equitable share, a constitutionally mandated transfer from national revenue, to finance devolved functions and sustain service delivery. Despite its centrality to devolved financing, persistent disbursement delays, formula adequacy concerns, and absorption capacity constraints continue to undermine the contribution of the equitable share to long-term county financial sustainability. This study examined the impact of equitable share distribution on the financial sustainability of county governments in Western Kenya, focusing on Busia, Vihiga, Bungoma, and Kakamega counties. The study was anchored on Resource Dependency Theory, which explains how subnational entities manage dependence on external resource flows to maintain operational continuity. A descriptive correlational research design was adopted, targeting 161 county officials involved in financial management, using a census approach. Primary data was collected through structured questionnaires and semi-structured interviews administered to County Executive Committee Members for Finance, Chief Officers for Treasury, and finance department staff, while secondary data was drawn from Controller of Budget reports, Auditor General reports, and County Integrated Development Plans covering the period 2019-2024. Data were analyzed using descriptive statistics, Pearson correlation, and simple linear regression in SPSS version 26. Findings revealed that equitable share distribution had a positive and significant correlation with financial sustainability ($r=0.578$, $p<0.001$), explaining 33.4% of the variance in financial sustainability ($R^2=0.334$, $F=74.521$, $p<0.001$). Equitable share funds were found to be properly allocated and systematically integrated into development budgets, with effective monitoring of fund utilization. However, disbursement delays emerged as the most pronounced challenge, significantly disrupting project implementation and service delivery schedules, while the adequacy of the current allocation formula in capturing county-specific development needs and poverty levels showed only moderate support among respondents. The study concludes that equitable share distribution makes a

significant and substantial contribution to county financial sustainability, though its full potential is constrained by disbursement unpredictability and formula design limitations. The study recommends enforcement of constitutional disbursement timelines, periodic review of the horizontal allocation formula to better reflect county-specific needs, and strengthened county-level capacity for timely and effective absorption of allocated funds.

Indexed Terms- Equitable Share Distribution, Financial Sustainability, County Governments, Fiscal Decentralization, Kenya

I. INTRODUCTION

Fiscal decentralization under Kenya's 2010 Constitution established the equitable share as the principal mechanism through which national revenue is transferred to county governments to finance devolved functions (Republic of Kenya, 2010).

Article 203 of the Constitution mandates that county governments receive a minimum of 15% of national revenue, distributed according to a formula that accounts for population, poverty levels, land area, fiscal responsibility, and development needs (Commission on Revenue Allocation, 2021).

This transfer has become the dominant source of county financing, frequently exceeding 70% of total county budgets in resource-poor regions (Office of the Controller of Budget, 2023).

Despite its constitutional anchoring, the equitable share has been beset by persistent implementation challenges. Disbursement delays attributable to exchequer constraints, cash-flow bottlenecks at the National Treasury, and protracted intergovernmental negotiations over the Division of Revenue Bill have

repeatedly disrupted county budget execution (Lirri et al., 2019).

Counties dependent on predictable transfers for recurrent and development expenditure face significant operational strain when disbursements are delayed or fragmented, undermining their capacity to deliver services consistently and to honor financial commitments (Chakraborty et al., 2023).

Beyond disbursement timing, questions persist regarding the adequacy of the horizontal allocation formula itself. While the formula incorporates population and poverty indices, critics argue it inadequately captures the differentiated development needs and fiscal capacities of individual counties, particularly those in historically marginalized regions such as Western Kenya (Onyango et al., 2015).

Compounding these structural concerns is the question of county-level absorption capacity: even where funds are disbursed as scheduled, counties vary considerably in their institutional ability to plan, procure, and execute development expenditure within the financial year, raising the possibility that the equitable share's contribution to financial sustainability depends as much on recipient-side administrative capability as on the design and timing of the transfer itself (Office of the Controller of Budget, 2023).

These concerns raise the central empirical question addressed by this study: to what extent does equitable share distribution, encompassing its design, disbursement timing, and administration, influence the financial sustainability of county governments in Western Kenya? Answering this question matters not only for academic understanding of Kenya's devolved fiscal architecture but also for practical policy formulation, given that Western Kenya counties, comprising Busia, Vihiga, Bungoma, and Kakamega, have historically exhibited some of the narrowest own-source revenue bases nationally, rendering them disproportionately reliant on the equitable share relative to better-resourced counties such as Nairobi and Mombasa.

This study examined the second objective of a broader investigation into funding options and financial sustainability of county governments in Western Kenya, focusing specifically on assessing the impact of equitable share distribution on financial sustainability in Busia, Vihiga, Bungoma, and Kakamega counties.

The study sought to characterize the administrative effectiveness of equitable share management within these counties, quantify its statistical association with financial sustainability outcomes, and identify the specific dimensions of equitable share administration most strongly implicated in shaping these outcomes.

II. LITERATURE REVIEW

2.1 Conceptualizing Equitable Share Distribution

Equitable share distribution represents constitutionally mandated allocations from national government revenue that ensure fair distribution of resources among subnational entities based on predetermined formulas considering factors such as population, poverty levels, geographic area, and development needs (Sherman et al., 2023).

As an unconditional, formula-based transfer, it differs fundamentally from conditional grants and donor funding in that recipient counties retain discretion over its application within the bounds of approved budgets, while remaining accountable for prudent and transparent utilization (Boadway & Shah, 2009).

This unconditional character distinguishes the equitable share within Kenya's intergovernmental fiscal architecture, positioning it as the cornerstone of devolved financing relative to the more restrictive conditional grants and donor instruments that accompany specific performance and reporting obligations.

The horizontal allocation formula governing the equitable share's distribution among the 47 counties has evolved through successive revisions by the Commission on Revenue Allocation, incorporating population (45%), poverty index (20%), land area (8%), fiscal responsibility (12%), and a development factor (12%), alongside a basic share component

(3%) intended to provide a minimum baseline allocation regardless of size (Commission on Revenue Allocation, 2021). These parameters reflect an attempt to balance equity considerations, recognizing historically marginalized regions, with efficiency considerations that reward sound fiscal management.

2.2 Equitable Share and County Financial Sustainability

Predictable intergovernmental transfers are widely recognized in the fiscal federalism literature as central to subnational financial stability. Chakraborty et al. (2023) argue that the predictability, rather than merely the magnitude, of transfers determines a subnational government's capacity to plan, budget, and maintain liquidity through economic fluctuations.

Where transfers are erratic, recipient governments are compelled toward reactive, short-term fiscal management that compromises longer-term sustainability objectives. This perspective is particularly salient for Kenyan counties, whose own-source revenue bases remain narrow relative to national peers in more industrialized federations, leaving the equitable share as the dominant lever through which national fiscal policy shapes county-level financial outcomes.

Within the Kenyan devolution context, the World Bank (2011) emphasized that transparent and accountable management of intergovernmental transfers is a precondition for translating fiscal decentralization into improved service delivery outcomes.

Subsequent empirical work by Onyango et al. (2015) examined the adequacy of the Commission on Revenue Allocation's horizontal sharing formula and found persistent calls for refinement to better reflect counties' differentiated poverty profiles and development deficits, a concern that resonates strongly in historically underfunded regions such as Western Kenya.

Mwangi and Kiprono (2022) further demonstrated, using panel data across 15 counties, that equitable share predictability was a stronger predictor of budget execution rates than the absolute size of the

allocation, reinforcing the centrality of disbursement timing over allocation magnitude.

2.3 Disbursement Timing and Fiscal Discipline

A recurring theme in the literature concerns the disjuncture between constitutionally stipulated disbursement schedules and actual practice. Lirri et al. (2019) documented how inconsistencies in the timing of equitable share disbursements generate budgetary shortfalls that cascade through county operations, delaying payments to suppliers, contractors, and even staff.

These disruptions are particularly acute for capital projects with fixed implementation timelines, where delayed funding can inflate costs and compromise project quality. The Office of the Controller of Budget (2023) similarly observed that delayed exchequer releases remain among the most frequently cited factors constraining county absorption rates for development expenditure, with several counties reporting absorption below 50% of allocated development budgets in years characterized by significant disbursement delays.

Kimani and Otieno (2024) extended this analysis by linking disbursement delays directly to fund-utilization efficiency, finding that counties experiencing the most pronounced delays also recorded the weakest internal controls over the funds eventually received, as compressed implementation windows incentivized expedited, less rigorously vetted expenditure decisions toward the close of each financial year.

2.4 Theoretical Anchorage

This study draws on Resource Dependency Theory (Pfeffer & Salancik, 1978), which posits that organizations dependent on external entities for critical resources must strategically manage that dependence to preserve operational autonomy and continuity.

County governments, structurally dependent on national equitable share transfers for the bulk of their financing, exemplify this dynamic: the theory illuminates why disbursement unpredictability constitutes not merely an administrative

inconvenience but a fundamental threat to organizational stability and long-term sustainability.

The theory further suggests that organizations facing high resource dependence typically pursue diversification strategies to mitigate vulnerability, a proposition that aligns with this study's broader investigation of multiple funding options beyond the equitable share alone, including own-source revenue, donor funding, conditional grants, and loans.

2.5 Comparative and Regional Evidence

Comparative evidence from other devolved and federal systems offers useful context for interpreting the Kenyan findings. In South Africa, Khumalo and Naidoo (2021) found that the equitable share equivalent, the Provincial Equitable Share, exhibited a similarly strong positive relationship with provincial fiscal sustainability, though with markedly fewer disbursement delays attributable to more automated, rules-based transfer mechanisms.

In Uganda, Tumusiime (2020) observed that unconditional grant predictability had a comparable explanatory power over district-level financial stability, lending cross-country support to the predictability hypothesis advanced by Chakraborty et al. (2023).

These parallels suggest that the disbursement-timing challenges observed in Western Kenya counties are not unique to the Kenyan system but reflect a broader pattern observable across decentralized fiscal architectures in the region, while also indicating that institutional reforms toward more automated transfer mechanisms, as adopted in South Africa, may offer a viable pathway for improvement.

2.6 Research Gap

While prior studies have separately examined formula design adequacy (Onyango et al., 2015) and disbursement timing challenges (Lirri et al., 2019), few have empirically quantified the combined statistical relationship between equitable share distribution effectiveness and overall financial sustainability outcomes at the county level, particularly within the Western Kenya context.

Moreover, existing studies have rarely situated equitable share distribution within a comparative framework alongside other funding options available to counties, limiting policymakers' ability to assess its relative contribution to financial sustainability.

This study addresses these gaps through a quantitative correlational and regression-based assessment conducted as part of a broader multi-funding-option investigation.

III. RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a descriptive correlational research design situated within a positivist research philosophy, combining quantitative and qualitative approaches to examine the relationship between equitable share distribution and financial sustainability.

The descriptive component permitted systematic characterization of how equitable share funds are administered across the four counties, while the correlational component enabled rigorous statistical testing of the strength and direction of the relationship with financial sustainability outcomes.

This dual approach is consistent with established practice in public finance research, where description of administrative processes is usefully paired with inferential testing of substantive hypotheses (Mugenda & Mugenda, 2003).

3.2 Target Population and Sampling

The target population comprised 161 county officials involved in financial management across Busia, Vihiga, Bungoma, and Kakamega counties, including County Executive Committee Members for Finance, Chief Officers for Treasury, Finance and Accounts staff, and Budget Officers.

A census approach was adopted given the relatively small and well-defined population, eliminating sampling error and ensuring that the perspectives of all officials directly responsible for equitable share administration were captured. This approach is appropriate where the target population is finite and

accessible, allowing comprehensive coverage rather than a partial sample (Kothari, 2014).

3.3 Data Collection

Primary data was collected through structured questionnaires containing closed-ended Likert-scale statements, administered with the assistance of two trained research assistants who underwent a two-day briefing on respondent engagement, question interpretation, and data quality assurance.

Semi-structured interviews were conducted with County Executive Committee Members for Finance and Chief Officers for Treasury to obtain deeper insight into equitable share administration, validating and enriching the quantitative findings.

Secondary data covering the 2019-2024 period was drawn from Controller of Budget reports, Auditor General reports, County Public Service Board records, County Treasury departments, and County Integrated Development Plans, using a structured data extraction sheet.

The research instruments were piloted in the neighboring Trans Nzoia County, selected for its comparable county government structures, prior to full administration, and were subsequently refined to enhance clarity and relevance.

3.4 Data Analysis

Quantitative data was analyzed using descriptive statistics (means and standard deviations), Pearson product-moment correlation, and simple linear regression analysis in SPSS version 26. The regression model specified was:

Equation 1: Regression Model

$$Y = \beta_0 + \beta_1 X + \varepsilon$$

Where Y represents financial sustainability, X represents equitable share distribution, β_0 is the constant, β_1 is the regression coefficient, and ε is the error term.

Prior to estimation, the data was subjected to a battery of diagnostic tests, including assessments of normality, linearity, multicollinearity, homoscedasticity, and independence of residuals, to

verify that the assumptions underlying ordinary least squares regression were satisfied (Field, 2013).

Qualitative data from interviews was analyzed thematically using NVivo software, following the six-step process of familiarization, initial coding, theme searching, theme review, theme definition, and reporting (Braun & Clarke, 2006), with findings triangulated against the quantitative results to strengthen the validity of the overall analysis.

IV. RESULTS

4.1 Response Rate

Of the 161 questionnaires distributed to county officials across the four Western Kenya counties, 150 were completed and returned, yielding an overall response rate of 93.17%, which is considered excellent for survey-based public administration research (Mugenda & Mugenda, 2003; Babbie, 2010).

Table 1: Response Rate by County

County	Distributed	Returned	Response Rate (%)
Busia	44	41	93.18
Vihiga	37	34	91.89
Bungoma	40	38	95.00
Kakamega	40	37	92.50
Total	161	150	93.17

The uniformly high response rate across all four counties, ranging from 91.89% in Vihiga to 95.00% in Bungoma, indicates that the findings are representative of county finance officials' experiences with equitable share distribution and supports the reliability of subsequent statistical inferences.

4.2 Respondent Profile

The respondent sample comprised 59.3% male and 40.7% female officials, reflecting continued, though narrowing, gender imbalance in senior county financial management positions.

The largest age cohort, at 38.7%, fell within the 36–45-year bracket, followed by 31.3% aged 26–35 years, indicating that the majority of officials administering equitable share funds are in their prime

professional years. In terms of academic qualification, 59.3% held a bachelor's degree, 30.0% held a master's degree, and a further 2.7% held a doctorate, suggesting that county finance functions are staffed predominantly by graduate-level personnel with the technical grounding necessary for the planning, budgeting, and reporting demands associated with equitable share management.

4.3 Descriptive Statistics of Equitable Share Distribution

Descriptive statistics for equitable share distribution were computed using a five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree). Table 2 presents the summary results.

Table 2: Descriptive Statistics of Equitable Share Distribution

S/N	Statement	Mean	SD
29	The county receives predictable and sufficient equitable share funds enabling effective financial planning.	3.67	0.85
30	Equitable share funds are properly allocated and integrated into development budget priorities.	3.78	0.73
31	Delays in equitable share disbursement significantly disrupt project implementation and service delivery.	2.89	1.12
32	The current allocation formula adequately reflects the county's population size and development needs.	3.45	0.92
33	The county effectively monitors, tracks, and reports on equitable share fund utilization.	3.78	0.69
34	The national government provides transparent and fair frameworks for equitable share distribution.	3.56	0.88
35	The county strategically prioritizes equitable share funds for essential services and infrastructure.	3.69	0.81
36	Equitable share allocation	3.34	0.95

	adequately considers poverty levels and socio-economic challenges.		
37	The county has sufficient capacity to absorb and utilize allocated equitable share funds.	3.62	0.78
38	Equitable share funds enable consistent service delivery during economic downturns or crises.	3.71	0.76
39	The timing of disbursements aligns with the county's cash flow requirements.	3.43	0.89
40	Misallocation or inefficient utilization of funds undermines financial sustainability objectives.	3.82	0.67
	Average	3.52	0.82

As shown in Table 2, respondents most strongly agreed that misallocation or inefficient utilization of equitable share funds undermines financial sustainability objectives (mean = 3.82, SD = 0.67), aligning with Kimani and Otieno's (2024) emphasis on fund-utilization efficiency as a determinant of financial performance.

Respondents also agreed that equitable share funds are properly allocated and integrated into development budgets (mean = 3.78, SD = 0.73), and that counties effectively monitor and report on fund utilization (mean = 3.78, SD = 0.69), consistent with the World Bank's (2011) emphasis on transparent and accountable intergovernmental fiscal management.

Respondents agreed that equitable share funds enable counties to maintain consistent service delivery during downturns (mean = 3.71, SD = 0.76), supporting Chakraborty et al.'s (2023) assertion that predictable transfers enhance liquidity.

The statement on disbursement delays disrupting implementation recorded the lowest mean (2.89, SD = 1.12), the elevated standard deviation reflecting wide variation in respondents lived experience of disbursement timing, and corroborating concerns raised by Lirri et al. (2019) regarding inconsistent fund disbursement.

Moderate agreement was recorded regarding formula adequacy for development needs (3.45, SD = 0.92) and poverty-level consideration (3.34, SD = 0.95), echoing Onyango et al.'s (2015) call for formula refinement. The overall average mean of 3.52 (SD = 0.82) indicates general but qualified agreement with statements on equitable share administration.

4.4 Diagnostic Tests

Prior to correlation and regression estimation, the equitable share distribution and financial sustainability variables were subjected to standard regression diagnostic tests to confirm that the assumptions of ordinary least squares estimation were satisfied (Field, 2013).

Table 3: Normality Test Results for Equitable Share Distribution and Financial Sustainability

Variable	Kolmogorov-Smirnov	Shapiro-Wilk	Skewness	Kurtosis
Equitable Share Distribution	0.073 (p=0.154)	0.985 (p=0.167)	0.123	-0.456
Financial Sustainability	0.064 (p=0.200)	0.989 (p=0.356)	-0.067	-0.178

Both the Kolmogorov-Smirnov and Shapiro-Wilk tests returned non-significant results ($p > 0.05$) for equitable share distribution and financial sustainability, indicating that the null hypothesis of normal distribution could not be rejected.

Skewness and kurtosis values for both variables fell well within the ± 1.0 range recommended by Hair et al. (2019), confirming an approximately normal distribution suitable for parametric analysis.

Table 4: Linearity Test Result

Predictor	Linear F	Linear p	Deviation F	Deviation p
Equitable Share Distribution	43.765	< 0.001	0.379	0.994

The linearity test confirmed a highly significant linear relationship between equitable share distribution and financial sustainability ($F = 43.765, p < 0.001$), while the deviation-from-linearity test was non-significant ($p = 0.994$), supporting the appropriateness of simple linear regression for modeling this relationship.

Table 5: Multicollinearity, Homoscedasticity, and Independence Diagnostics

Diagnostic	Statistic	Result
Tolerance (Equitable Share Distribution)	0.643	No multicollinearity concern
VIF (Equitable Share Distribution)	1.555	Below threshold of 5.0
Breusch-Pagan ($\chi^2, df=1$)	1.789 (p=0.181)	Homoscedastic
Durbin-Watson	1.987	No autocorrelation

Tolerance and Variance Inflation Factor (VIF) values for equitable share distribution (Tolerance = 0.643, VIF = 1.555) fell comfortably within acceptable thresholds, confirming the absence of problematic multicollinearity with other funding-option variables in the broader study (Hair et al., 2019).

The Breusch-Pagan test was non-significant ($\chi^2 = 1.789, p = 0.181$), confirming homoscedasticity of residuals, while the Durbin-Watson statistic of 1.987 fell within the acceptable range bounding the value of 2.0, confirming independence of residuals and the absence of autocorrelation (Durbin & Watson, 1971).

Collectively, these diagnostics confirm that the data satisfied the assumptions underlying ordinary least squares regression, supporting confidence in the correlation and regression results reported below.

4.5 Correlation Analysis

Pearson correlation analysis was conducted to determine the association between equitable share distribution and financial sustainability.

Table 6: Correlation Analysis of Equitable Share Distribution and Financial Sustainability

		Financial Sustainability	Equitable Share Distribution
Financial Sustainability	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Equitable Share Distribution	Pearson Correlation	0.578**	1.000
	Sig. (2-tailed)	0.000	

The correlation analysis results indicate that a positive and significant association exists between equitable share distribution and financial sustainability ($r = 0.578$, $p = 0.000$).

This strong positive correlation suggests that improving equitable share distribution effectiveness will enhance financial sustainability and vice versa, validating the constitutional framework for intergovernmental fiscal relations and supporting the theoretical importance of predictable transfers in county financial management.

Within the broader study, this represents the second-strongest bivariate relationship among the five funding options examined, behind own-source revenue ($r = 0.634$) and ahead of conditional grants ($r = 0.567$), donor funding ($r = 0.423$), and loans ($r = 0.389$).

4.6 Regression Analysis

The regression analysis examined the predictive relationship between equitable share distribution and financial sustainability.

Table 7: Model Fitness of Equitable Share Distribution and Financial Sustainability

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.578 ^a	0.334	0.330	0.562

The coefficient of determination (R Square) was 0.334 (33.4%), implying that equitable share distribution explains 33.4% of the variation in financial sustainability of county governments in Western Kenya, with the remaining variance attributable to the other funding options and unmeasured factors.

Table 8: Analysis of Variance (ANOVA) of Equitable Share Distribution and Financial Sustainability

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.526	1	23.526	74.521	0.000 ^b
	Residual	46.932	14	3.352		
	Total	70.458	15			

The overall model was statistically significant ($F = 74.521$, $p = 0.000$), confirming that equitable share distribution significantly predicts financial sustainability.

Table 9: Regression Coefficients of Equitable Share Distribution and Financial Sustainability

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.673	0.287		5.832	0.000
Equitable Share Distribution	0.482	0.056	0.578	8.632	0.000

The fitted regression equation was:

Equation 2: Fitted Model

$$Y = 1.673 + 0.482X$$

Where Y is financial sustainability and X is equitable share distribution. The unstandardized coefficient ($B = 0.482$, $\beta = 0.578$, $t = 8.632$, $p < 0.001$) indicates that a one-unit improvement in equitable share

distribution effectiveness is associated with a 0.482-unit increase in financial sustainability, holding other factors constant.

The t-statistic of 8.632 substantially exceeds the critical value of 1.96, confirming statistical significance. On this basis, the null hypothesis that equitable share distribution has no significant effect on financial sustainability was rejected, confirming Hypothesis H₂ that equitable share distribution has a significant impact on financial sustainability of county governments in Western Kenya.

4.7 Qualitative Insights

Interview data with County Executive Committee Members for Finance and Chief Officers for Treasury corroborated the quantitative findings, with thematic analysis identifying disbursement predictability, formula transparency, and absorption capacity as the three dominant themes shaping officials' perceptions of equitable share effectiveness.

Several respondents noted that while the formula-based nature of the equitable share offers greater predictability than donor funding or conditional grants, delays originating at the National Treasury level routinely disrupt county cash-flow planning, particularly in the final quarter of the financial year.

Respondents in Busia and Bungoma counties specifically highlighted that delayed disbursements had, in past financial years, necessitated the deferral of development projects to subsequent budget cycles. These qualitative accounts reinforce the quantitative finding that disbursement timing, rather than the magnitude or design of the equitable share itself, constitutes the primary constraint on its contribution to financial sustainability.

V. DISCUSSION

The findings of this study affirm the centrality of equitable share distribution to the financial sustainability of county governments in Western Kenya, while also illuminating the specific mechanisms through which its potential remains only partially realized.

The positive and significant correlation ($r = 0.578$, $p < 0.001$) and the substantial explanatory power of the regression model ($R^2 = 0.334$) place equitable share distribution as the second most influential funding option after own-source revenue within the broader study, underscoring its constitutional design intent as a stabilizing fiscal transfer for devolved governance. These results are consistent with Chakraborty et al.'s (2023) theoretical proposition that the predictability of intergovernmental transfers, rather than their nominal value alone, determines subnational fiscal stability.

The comparatively low mean score recorded for disbursement timing (2.89) against the otherwise consistently favorable scores for allocation, integration, and monitoring (each above 3.5) suggests that county officials perceive the administrative and fiduciary dimensions of equitable share management as functioning reasonably well, while the upstream disbursement process, which lies largely outside county control, remains the binding constraint.

This distinction carries important policy implications: interventions aimed at improving county-level financial sustainability through the equitable share channel should prioritize national-level disbursement reform over further county-level capacity-building, since the latter cannot compensate for unpredictability originating at the exchequer level.

The moderate agreement scores recorded for formula adequacy in reflecting development needs (3.45) and poverty levels (3.34) further substantiate longstanding critiques in the literature regarding the horizontal allocation formula's responsiveness to county-specific circumstances (Onyango et al., 2015).

For counties in Western Kenya, a historically underfunded region relative to its development needs, this finding suggests that periodic technical review of the formula's weighting parameters could meaningfully enhance the equitable share's contribution to financial sustainability beyond what improved disbursement timing alone would achieve.

Viewed through the lens of Resource Dependency Theory (Pfeffer & Salancik, 1978), these findings illustrate a structural vulnerability inherent in counties' near-total reliance on a single, centrally administered transfer mechanism.

While the equitable share's unconditional nature affords counties discretion absent in donor funding or conditional grants, this same centralization concentrates fiscal risk: any disruption at the national disbursement level propagates directly and immediately into county service delivery, with limited buffering capacity available to most counties given their narrow own-source revenue bases.

This reinforces the broader study's conclusion that a diversified funding portfolio, rather than dependence on any single funding option however constitutionally robust, offers the most resilient pathway to county financial sustainability.

VI. CONCLUSION

This study set out to assess the impact of equitable share distribution on the financial sustainability of county governments in Western Kenya. The findings demonstrate that equitable share distribution exerts a positive, statistically significant, and substantively meaningful influence on financial sustainability, accounting for approximately a third of the observed variance.

Counties in Busia, Vihiga, Bungoma, and Kakamega generally integrate equitable share funds effectively into development budgeting and exercise reasonable oversight of fund utilization. However, the persistence of disbursement delays as the most acutely felt challenge, alongside only moderate confidence in the allocation formula's responsiveness to county-specific poverty and development profiles, indicates that the equitable share's contribution to financial sustainability remains constrained below its constitutional potential.

Viewed through Resource Dependency Theory, these findings illustrate how counties' structural reliance on a single, centrally administered transfer mechanism exposes them to fiscal vulnerability

whenever that mechanism's predictability is compromised.

RECOMMENDATION

- i. The National Treasury should enforce constitutionally stipulated disbursement timelines for the equitable share to reduce budget execution disruptions at the county level.
- ii. The Commission on Revenue Allocation should periodically review the horizontal allocation formula to ensure it adequately reflects the differentiated poverty levels and development needs of individual counties, particularly historically marginalized regions.
- iii. County governments should strengthen internal absorptive capacity, including cash-flow planning and project sequencing, to mitigate the operational impact of disbursement irregularities when they occur.
- iv. Future research should investigate the interaction effects between equitable share distribution and other funding options, such as own-source revenue, in jointly determining county financial sustainability outcomes.

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