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Effect of Debt Management on the Service Delivery Efficiency of County Governments in Kenya

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Abstract

Effective fiscal management is critical to boosting public sector performance, particularly in developing nations. In Kenya, the 2010 Constitution ushered in a devolved system of governance, making fiscal management and efficient service delivery increasingly important. Research shows a strong delivery, underscoring the role of sound financial practices in improving public services. This study employed a descriptive research design encompassing all 47 Kenyan counties. Secondary data was extracted from audited financial statements covering fiscal years 2013/2014 to 2020/2021. The data were analyzed using Stata 27.0, incorporating descriptive statistics (percentages, frequencies, measures of central tendency, and dispersion) and inferential techniques, including correlation, univariate regression, and diagnostic tests. Panel regression models were used to assess the influence of debt management on Kenya. Debt management had a positive and significant effect on the county's gross product and well-being. The results highlight that well-structured debt management strategies can lead to better economic outcomes, enabling countries to utilize borrowed funds more effectively for development projects and service delivery. This is particularly relevant in the context of Kenya's ongoing efforts to manage public debt sustainably, while financing essential infrastructure and social programs. The findings also suggest that as counties improve their debt management practices, they can expect not only to stabilize their financial health but also to foster greater economic growth and improve the welfare of their constituents.

Keywords: *Debt management, Service delivery efficiency, County Governments*

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1. Introduction

Mwanjaa and Kapaya (2024) found that in the Tanzanian public sector, prudent financial management and rigorous reporting strongly contribute to accountability and fiscal responsibility, which are essential components of good governance. A service rendered to the public is regarded as public trust because it is a non-profitable link with the government that demonstrates loyalty to the citizenry by undertaking good deeds to empower communities. In a wider perspective, service delivery is attributed to the quality of the customer experience, accessibility of these services, the speed at which services are rendered, the ability to afford, the degree of reliability, completeness, and courteousness, and the quantified appropriateness

of the support availed to a client. As, Clinton (1995), a former president, stated, the USA public administration provides services efficiently at minimal cost. The state ought to change along with the citizenry it serves. In furtherance of this idea, there is an utmost need to remedy the resentment and disaffection most citizens express towards their public administrations. Citizenry will regain confidence in government if it is made to function efficiently. There is a need to make quality governance a part of the culture of public administration, and henceforth, no future government will adopt it.

As noted by Meier, Davis and Xu (2023), citizens' trust in public administration depends not equitably and efficiently they are delivered. The state must therefore evolve alongside its citizenry, embracing transparency, responsiveness, and accountability in public administration. When governments deliver quality governance that reflects citizen expectations, public disaffection diminishes, and trust is rebuilt.

Sound expenditure control is a core element of effective fiscal governance. Koroma, Yusuf, Dauda, and Gando (2024) attribute inefficiencies in service provision to corruption and misallocation of resources, which erode public trust. Political favoritism and weak governance frameworks continue to impede financial performance and service delivery efficiency, as highlighted in the *County Governance Status Report (2025)*. Although devolution has improved accountability in some regions, it has also deepened disparities among counties, complicating efforts to achieve equitable fiscal management.

County governments cater to diverse stakeholders. These include residents who depend on public services like sanitation, education, and housing. Entrepreneurs and businesses rely on regulatory and infrastructural support (Gathii & Otieno, 2018). Counties engaged in tourism must provide safety, transport, and hospitality services (Masimba, 2024).

Special groups such as farmers and indigenous communities receive aid through subsidies, technical support, and cultural programs (Musyoki, Kiboro & Sande, 2025), While public employees depend on counties for remuneration and workplace development, citizens also engage with county leadership through elections and public forums (Transparency International Kenya, *County Governance Status Report*, 2025 and NGOs collaborate on development projects (Karri, 2023).

As stated by Mbau (2019), County governments are legally responsible for making executive and regulatory decisions in the interests of citizens. They also have access to funds collected and made available for the express purpose of funding county budgets, enabling county governments to implement these decisions. County governments have two main avenues of financing their spending plans. The first avenue is resources allocated by the apex government, distributed amongst two levels of administration from total shareable revenues as reflected in prior audited accounts. The second avenue is locally generated revenue from services offered to residents, as mentioned in the fourth schedule of the Constitution of Kenya, 2010. Governments at the county level receive shareable revenue from the apex Government and are tasked with generating alternative locally collected revenues to empower them in delivering their core mandates.

1.1 Problem Statement

The Constitution of Kenya (2010) introduced devolution to improve service delivery by bringing government functions and resources closer to the people. Counties draw their funding mainly from equitable national transfers and own-source revenues, which, if effectively managed, should support local development and enhance citizen welfare (Gorina, 2013; KNBS, 2024).

Since their establishment in 2013, county governments have received over Ksh1.5 trillion from the national government (Auditor General Reports, 2013–2021). However, despite this significant allocation, service delivery outcomes remain weak due to mismanagement, inflated projects, and misuse of public funds. Auditor General reports document cases such as overspending on county assembly cafeterias, irregular allowances, and stalled projects, while citizens continue to face service delivery gaps. At the same time, corruption scandals such as the loss of Ksh. 791 million in the National Youth Service scheme highlights systemic governance challenges (Transparency International, 2023).

In response to persistent financing gaps, some counties have turned to borrowing. While debt can provide much-needed resources for development, weak debt management risks diverting funds from essential services to debt servicing. Without effective oversight, rising debt burdens may worsen inefficiencies and erode fiscal sustainability. This paradox of growing funding and debt on one hand, but poor service outcomes on the other, underscores the need to examine the influence of debt management on service delivery in county governments in Kenya.

1.2 Research Hypothesis

Debt management does not have a significant effect on the efficiency of service delivery by county governments in Kenya.

2. Literature Review

2.1 Theoretical Review

This paper was anchored in the Life-Cycle Theory, a hypothesis advanced by Franco Modigliani and a student, Richard Brumberg, in 1980. The life-cycle theory is an economic theory that explains people's borrowing, spending, and saving patterns over their lifespans. This theory presupposes that an individual's base consumption is constant relative to their anticipated life income. As stated by the life-cycle hypothesis, borrowing ideally improves a person’s lifetime welfare by allowing him to smooth consumption across different stages of his life cycle.

When income is relatively low during youth, households will consequently borrow to maintain their increased consumption that cannot be accommodated within their current income alone. On the other hand, as earnings increase during the mid-years of the life cycle, individuals save and minimize debt to build up wealth needed to support consumption during retirement years when income is minimal (Modigliani, 1985).

The life-cycle hypothesis rests as an indispensable arm of economists’ thinking as with population upsurge, young people tend to be more than old and subsequently, more individuals are borrowing than they are saving and as a result, total savings emanating from the old individuals tend to always be below the borrowings done by the younger individuals, and in return there will in many instances be a net borrowing. Additionally, the factors of income can

be referenced to the Ando and Modigliani (1963) model of the life cycle, which explains individuals' indebtedness. In instances where income is lower than average, people seek funds to finance their day-to-day consumption and repay only when income increases. Because most residents' earnings rise over their lifetimes, their indebtedness tends to be higher than their earnings at the start of the life cycle and declines gradually as they advance in age (Modigliani, 1985).

This theory presupposes that the high levels of debt at a younger age might be entirely rational, given the assumption of higher future earnings. On these bases, the consumption behavior and smoothing patterns suggest an inverted-U (hump-shaped) curve when age is plotted against indebtedness. In fact, borrowing is used to transfer purchasing power from one phase of life to another. According to life-cycle theory, personal debt is for the young and low-income. Coincidentally, the young are new job entrants, and their salaries are relatively low compared with those of their compatriots (Crawford & Faruqui, 2012).

The life cycle theory has wide application. For instance, Abid, Zouari, and Zouari-Ghorbel (2012) have shown that socio-economic characteristics exhibit a life-cycle character. For example, chances are that an individual's age will determine their marital status and family size; the young are likely to be single and have either no family or a small family. Abid et al. contend that personal indebtedness is related to socio-economic attributes such as age, earnings, education, marital status, and family size, among others. Thaicharoen, Ariyapruchya, and Chuched (2004) suggest that young people tend to accumulate debt until age 50, and Disney, Bridges, and Gathergood (2008) found that households headed by individuals aged under 30 had high DIR, consistent with life-cycle theory. Disney et al. found that the effect of age on debt is positive until age 50, after which it becomes negative, consistent with the life-cycle theory.

Further, there is empirical evidence of personal financial learning throughout a person's life, optimized by formal learning, trial and error, and financial experiences. However, learning by doing is not an effective substitute for financial knowledge. Financial mistakes also vary with age and usually follow a U-shaped pattern (Hastings et al., 2013), and cognitive ability also follows the life-cycle theory, declining with age (Lusardi & Mitchell, 2014). Accordingly, this theory was used to anchor the debt management research hypotheses.

The life-cycle theory assumes that everyone is a rational consumer who aims to maximize utility based on expected income. However, this may not necessarily be true, as not everyone's consumption decisions are based on future income.

2.2 Empirical Review

Gitau and Muendo (2017) conducted an assessment of the variables that direct effective debt management in the Nairobi County Government. It highlighted how institutional and debt risk management frameworks determine the effectiveness of debt management. The study employed a descriptive research design. The population consisted of 247 employees in the County Government of Nairobi's finance and accounting departments. The technique adopted in this study was stratified random sampling, which was used to select 55 respondents. Data were gathered through a structured questionnaire. Analysis indicated that the institutional and debt risk management framework was positively associated with debt management efficacy within the county government. An enhanced institutional framework was identified as a pertinent component for elevating the effectiveness of debt management. It was recommended

that county-level governance in Kenya establish a sound, feasible framework for managing debt risk. This study concentrated on Nairobi County, while the current study assessed all 47 counties in Kenya.

Muthui, Kosimbei, Maingi, and Thuku (2013) conducted a scrutiny on the impact of public expenditure components on the advancement of the economy. The scrutiny used yearly data for the period 1964 to 2011 for all variables. Tests for stationarity, causality, and cointegration were conducted before estimating a vector error-correction model. The survey found that even when government spending on education is directed toward advancing the economy, it fails to spur significant growth. This scrutiny also found that the framework of government spending in Kenya leaned towards consumption and debt servicing, both local and foreign, rather than capital expenditure from 1991 to 1993. Subsequently, the researcher noted that a nation's economic performance declined the most due to poor spending. This study focused on the National government, whereas the current study investigated the 47 county governments in Kenya.

Lai and Samad (2011) examined the framework for managing enterprise risk and the determinants of its implementation among sampled publicly listed institutions in Malaysia. The framework for managing enterprise exposure was operationalized as governance, structure, and process dimensions in the institutions. The scrutiny adopted primary data gathered through questionnaires from employees of the 128 publicly listed institutions on the Bursa Malaysia. The outcome of the scrutiny highlighted that the deployment of enterprise risk management, affirmatively and significantly, reduced the cost of financial distress and led to improvements in institutions' credit ratings. Subsequently, it was inferred that its deployment reduced the cost of financing from external sources among the surveyed publicly listed institutions. This study, in contrast, sampled all publicly listed institutions in Malaysia, while the current study focused on all 47 county governments in Kenya. The current study addressed the methodological gap by adopting fixed- and random-effects models.

Baldacci, McHugh, and Petrova (2011) undertook a paper on the fiscal management of local governments: the efficacy of governmental hierarchy, the diversity of revenue streams, and the localized economic base. The paper developed a set of fiscal metrics to scrutinize rollover exposures, drawing on Cottarelli's (2011) conceptual framework. The metrics signal early warning of the manifestation of these exposures, enabling policymakers to adjust policies to curb the extremes in fiscal stress events. Double-aggregated indices were computed: an index measuring fiscal vulnerability and another measuring fiscal stress. The outcome of the scrutiny highlighted that both indices can be applied in advanced economies, signaling unfavorable medium-term dynamics in debt and aging-related spending pressures. In developing nations, exposures related to solvency are lower, but public debt composition remains a source of exposures, and the fiscal position is thus weaker post-crisis. The study singled out revenue diversity as the determinant of fiscal position, whereas the current study adopted additional variables, including budget analysis, debt management, liquidity control, and county population size, to guide fiscal management.

2.3 Conceptual Framework

A conceptual framework is a diagram or construct that explains the underpinnings of a theory. Therefore, a conceptual framework or model provides a visual representation of the link between the research variables. Conceptual frameworks help explain the connections among

variables and aid in reviewing, scrutinizing, and testing research results (Durham & Stokes, 2015).

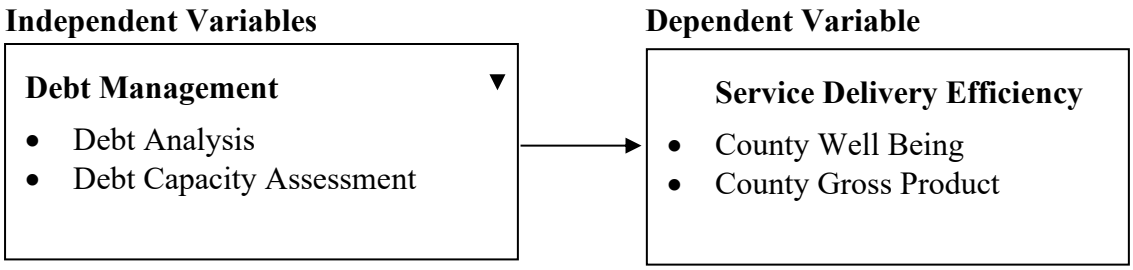

Figure 1: Conceptual Framework

3. Methodology

This study adopted a positivist research philosophy, which emphasizes objective observation and empirical evidence (Creswell, 2014). The investigation focused on how different aspects of fiscal management affect service delivery efficiency across all 47 counties in Kenya. Independent variables included budget analysis, revenue mobilization, debt management, and liquidity control (Mugenda & Mugenda, 2019). The study upheld objectivity and consistency with prior financial research conducted within the Kenyan context (Waweru & Kalani, 2009).

A descriptive correlational research design was used to assess relationships between variables (Creswell, 2014). This cross-sectional approach enabled the analysis of debt management and service delivery data at a specific point in time, offering insights into trends and interactions across all counties. A cross-sectional approach was adopted, which is appropriate for examining relationships among multiple factors (Kothari, 2004). This methodology aligns with earlier Kenyan research on fiscal decentralization and public spending conducted by Waweru (2018).

Given the manageable population size of 47 counties, a census method was applied, enhancing data validity and eliminating sampling errors. The study relied on secondary data from audited financial reports issued by the Office of the Auditor General and from statistical reports from the Kenya National Bureau of Statistics (KNBS). A structured data collection tool was used to compile relevant indicators from the fiscal years 2013–2021.

The data analysis process involved several statistical tests to ensure both accuracy and validity. STATA version 13.0 was utilized for data processing, employing descriptive statistics such as means, standard deviations, and frequency distributions to elucidate the relationships among variables. Inferential analysis involved applying panel regression models (Fixed Effects and Random Effects) to examine relationships among variables. The Hausman test helped select the appropriate model for each dependent variable. Furthermore, panel data tests, such as unit root and cointegration tests, were conducted to confirm data stationarity. To validate the regression models and ensure statistical accuracy, diagnostic tests for normality, heteroscedasticity, and autocorrelation were also performed.

The analytical model used to assess the effect of debt management on the service delivery of county governments in Kenya was structured as follows:

$$Y = \beta 0+\beta 1X1+\beta 2X2+ \varepsilon it$$

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Where: X1= Debt Analysis

X2= Debt Capacity Assessment

εit = Error term assumed to be a constant

4. Results and Discussion

4.1 Descriptive Statistics

The financial data collected from the counties were summarized using measures of central tendency and dispersion, revealing that most variables were not normally distributed, as confirmed by the Jarque-Bera test. However, the debt analysis and debt capacity assessment showed extreme skewness and kurtosis, indicating high variability and non-normality. Additionally, county gross product and well-being had relatively stable distributions, but they were also non-normal.

Debt management indicators had leptokurtic distributions, and although normality is not essential for regression analysis, the probability values ranging from 0.000 to 0.009 indicated that financial factors significantly influence county service delivery.

The results confirmed that debt management sub-constructs play a substantial role in determining service delivery efficiency. The probability values of 0.000 across all components in the study suggest that the model fit was good, and it was anticipated that each measured variable would significantly affect the service-delivery efficiency of county governments in Kenya.

Table 1: Descriptive Statistics

	Service Delivery Efficiency		Debt management	
	CGP	CWB	DA	DCA
Mean	6.41	58.19	5.90	0.03
Maximum	9.46	67.43	22.67	1.45
Minimum	3.45	46.97	2.54	1.12
Std. Dev.	1.07	2.89	2.67	0.08
Skewness	0.20	-0.62	2.76	14.52
Kurtosis	-0.05	1.15	11.28	247.68
Jarque-Bera	117.44	883.36	200.53	254.63

4.2 Panel Hausman Test

As shown in Table 2, the p-value for county wellbeing (CWB) was 0.000, which is less than 0.05, indicating sufficient evidence to reject the null hypothesis (H0). In contrast, the p-value for CGP was greater than 0.05, suggesting insufficient evidence to reject H0. Therefore, we concluded that the most suitable model for county well-being (CWB) was the fixed effects (FE) model. In contrast, the random effects (RE) model was better suited for county gross product (CGP).

Consequently, we adopted the FE regression model to examine how debt management influences the service delivery efficiency of county governments in Kenya, as measured by

county wellbeing CWB. Similarly, we used the RE regression model to analyze the effect of debt management on service delivery efficiency, as indicated by county gross product CGP.

Table 2: Panel Hausman Test

Dependent	Independent	Chi square	df	P value	Model
CGP	DA, DCA	.495	2	0.781	Random effects
CWB	DA, DCA	-4.982	2	0.000	Fixed effects

4.3 Diagnostics Tests

The panel diagnostic tests conducted in this study were essential for ensuring the validity of the regression model by verifying its adherence to the assumptions of classical linear regression models (CLRM). The tests included assessments of normality, unit root, multicollinearity, serial correlation, and heteroskedasticity. As shown in Table 3, the serial correlation test using the Wooldridge method found no evidence of first-order autocorrelation, as p-values were below 0.05. This aligns with findings from Ngware et al. (2021), which contrast with earlier studies (Mbau et al., 2019) that identified serial correlation. The use of a regression model with robust standard errors effectively addressed any potential serial correlation issues in this study.

Table 4 shows that heteroskedasticity was tested using the Breusch-Pagan test, which returned a p-value of 0.00, indicating significant heteroskedasticity. This suggests that the error variances were not constant across observations. Since heteroskedasticity can lead to inefficient estimates and affect hypothesis testing, robust standard errors were applied to correct for these violations. The results of our study aligned with those of Wanjau et al. (2018) and Mwai (2019), who also documented heteroskedasticity in financial studies. A high Chi-square value was observed, particularly for the moderated variables, indicating a stronger heteroskedasticity effect. This finding justified the need for alternative estimation techniques, such as Feasible Generalized Least Squares (FGLS), to improve the efficiency of our results.

The study employed the Wooldridge test to assess autocorrelation and determine whether the error terms were independent across observations. The results, displayed in Table 5, indicated that all p-values were below the 0.05 critical value, confirming the absence of autocorrelation in the panel data. This finding implies that the regression model's residuals were not systematically correlated, which helps ensure the model's estimates remain unbiased and efficient. The absence of autocorrelation enhances the reliability of the study's findings on the relationship between fiscal management and service delivery efficiency in county governments in Kenya.

Additionally, a multicollinearity test was conducted using the Variance Inflation Factor (VIF), as shown in Table 6. All VIF values were below the threshold of 10, confirming that no significant multicollinearity was present. This indicates that the independent variables were not highly correlated, thereby satisfying one of the key assumptions of the Classical Linear Regression Model (CLRM). The study's findings support the recommendations of Alita et al. (2021), which emphasize testing for multicollinearity in regression analysis to ensure that explanatory variables remain independent. Overall, these findings suggest that the regression model utilized in the study was robust and reliable, reinforcing the credibility of the conclusions regarding debt management and service delivery efficiency of county governments in Kenya.

Table 3: Panel Serial Correlation Test

Dependent	Independent	F	P value
CGP	DA, DCA	7.498	0.0075
CWB	DA, DCA	7.688	0.0068

Table 4: Heteroscedasticity

Dependent	Independent	Chi square	P value
CGP	DA, DCA	5,800	0.0000
CWB	DA, DCA	4,513	0.0000

Table 5: Autocorrelation

Dependent	Independent	F square	P value
CGP	DA, DCA	2.5	0.0000
CWB	DA, DCA	12.4	0.0000

Table 6: Multicollinearity Test

	Collinearity Statistics		
	Tolerance	VIF	Remark
DA,	0256	2.357	No Multicollinearity
DCA	0.437	3.229	No Multicollinearity

a Dependent Variable: County Service Delivery

4.4 Hypothesis Testing

Results in Table 7 and Table 8 indicate that DA had a significant and positive effect on CGP ($p = 0.000$, N=376, p value >0.05). DCA showed a positive but insignificant association with CGP ($\beta = 0.179$, N = 376, p-value < 0.05). Resultant equations for the regression of the data above are shown below:

CGP= 5.81 + 0.097*DA + 0.912*DCA

CWB = 60.183+ 0.34*DA + 0.406*DCA

The findings confirmed studies by Baldacci, McHugh, and Petrova (2011), which examined the fiscal management of local governments: the efficacy of governmental hierarchy, the diversity of revenue streams, and the localized economic base. The outcome of the scrutiny highlighted that both indices can be applied in advanced economies, signaling unfavorable medium-term dynamics in debt and spending pressures related to service delivery efficiency. In developing nations, exposures related to solvency are lower, but public debt composition remains a source of exposures, and the fiscal position is thus weaker post-crisis.

The findings failed to confirm the studies by Muthui, Kosimbei, Maingi and Thuku (2013), which examined the impact of public expenditure components on economic development. The survey found that even when government spending on education is directed toward advancing the economy, it fails to spur significant growth. This scrutiny also found that the framework of

government spending in Kenya leaned towards consumption and debt servicing, both local and foreign, rather than capital expenditure from 1991 to 1993. Subsequently, the researcher noted that a nation's economic performance declined the most due to poor spending.

The R-squared indicated 0.056 for CGP and 0.214 for CWB, indicating that debt management accounted for 5.6 percent and 21.4 percent, respectively, of the service delivery efficiency of county governments. The 94.4 percent and 79.6 percent, respectively, were accounted for by other variables. Both DA and DCA had a positive and significant effect on the service delivery efficiency of county governments in Kenya, with DA having a more significant effect (p-value of 0.000).

Table 7: Debt Management and County Gross Product

CGP	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
DA	.097	.021	4.68	.000	.056	.138	***
DCA	.912	.679	1.34	.179	-.418	2.242	
Constant	5.81	.138	42.00	.000	5.539	6.082	***

Mean dependent var	6.408	SD dependent var	1.074
Overall r-squared	0.056	Number of obs	376
Chi-square	22.086	Prob > chi2	0.000
R-squared within	0.050	R-squared between	0.117

*** p<.01, ** p<.05, * p<.1

Table 8: Debt Management and County Well-Being

CWB	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
DA	.34	.029	11.55	.000	-.398	-.282	***
DCA	.406	.957	0.42	.671	-1.47	2.282	
Constant	60.183	.344	175.12	.000	59.51	60.857	***

Mean dependent var	58.189	SD dependent var	2.894
Overall r-squared	0.214	Number of obs	376
Chi-square	141.883	Prob > chi2	0.000
R-squared within	0.295	R-squared between	0.402

*** p<.01, ** p<.05, * p<.1

5. Conclusion

Debt management had a positive and significant effect on the county's gross product as well as on the county's well-being. The results highlight that well-structured debt management strategies can lead to better economic outcomes, enabling countries to utilize borrowed funds more effectively for development projects and service delivery. This is particularly relevant in the context of Kenya's ongoing efforts to manage public debt sustainably, while financing essential infrastructure and social programs. The findings also suggest that as counties improve their debt management practices, they can expect not only to stabilize their financial health but also to foster greater economic growth and improve the welfare of their constituents.

However, the findings were consistent with those of Gitau and Muendo (2017), who assessed the variables that drive effective debt management in the Nairobi County Government. It highlighted how institutional and debt risk management frameworks shape the effectiveness of debt management. Analysis indicated that the institutional and debt risk management framework was positively associated with the county government's debt management efficacy. An enhanced institutional framework was identified as a pertinent component for elevating debt management effectiveness. It was recommended that county-level governance in Kenya establish a sound, feasible framework for managing debt risk.

6. Recommendations

The findings of this study show that debt management plays a mixed role in shaping the efficiency of service delivery in county governments in Kenya. Specifically, proper debt analysis was found to enhance service delivery efficiency, while debt capacity assessment had only a marginal effect. This suggests that counties must move beyond merely assessing their ability to take on debt and instead develop stronger frameworks for analyzing the structure and sustainability of their borrowing. Counties should regularly evaluate the debt-to-total assets and debt-to-income ratios, ensuring that leverage levels remain sustainable while minimizing financing costs. In addition, exploring diverse financing options, such as concessional loans and innovative revenue-generation strategies, will enable counties to strike a balance between adequate funding and fiscal responsibility.

The study also highlights the importance of aligning debt management strategies with service delivery outcomes. Counties with large populations or expansive geographic areas often face inefficiencies in resource allocation. To address this, counties could adopt data-driven resource allocation models that prioritize underserved regions, thereby making debt-financed projects more equitable and responsive to local needs. This would help bridge gaps between rural and urban areas while maximizing the developmental impact of borrowed funds.

Efficient use of debt proceeds requires robust expenditure management. Counties should link budget allocations to measurable performance targets, ensuring that borrowed resources translate into tangible service improvements. This performance-linked budgeting approach would strengthen accountability, reduce waste, and ensure that borrowed funds are directed to projects with the highest social and economic returns. Building the financial management capacity of county staff is equally critical. Training programs focused on budget planning, expenditure monitoring, and debt sustainability analysis would enhance county officers' ability to manage public resources effectively.

Counties can leverage debt to establish decentralized service hubs, particularly in large or remote regions. Financing through debt instruments could support the establishment of sub-county facilities or mobile service units, making healthcare, education, and administrative services more accessible to citizens. Integrating technology into debt-financed projects is another priority. Tools such as e-budgeting platforms, automated revenue collection systems, and digital expenditure tracking can increase transparency, reduce corruption, and ensure that debt resources are utilized efficiently. Online citizen feedback platforms would further promote accountability by enabling residents to monitor county projects.

To sustain efficiency gains, counties must embed debt management into long-term strategic planning. Borrowing decisions should be guided by county development goals that align with national priorities. Continuous professional development for financial managers and

administrators will ensure counties maintain fiscal discipline while adapting to emerging challenges. Public–private partnerships (PPPs) also offer counties an avenue to leverage private capital and expertise, reducing debt burdens while improving the quality of service delivery projects.

Finally, the study underscores the need for stronger legislative and institutional frameworks to enforce fiscal responsibility at the county level. Clear borrowing guidelines, strict debt ceilings, and regular performance audits are necessary to prevent unsustainable debt accumulation and misuse of public funds. Counties that demonstrate effective debt utilization and improved service delivery should be incentivized through performance-based funding models. These reforms will not only enhance financial discipline but also build public confidence in devolved governance.

By adopting these measures, county governments in Kenya can ensure that debt is managed prudently and strategically, thereby transforming borrowing into a catalyst for improved service delivery, inclusive development, and long-term economic sustainability.

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