

Financial Accountability Practices on Service Delivery in Level 5 County Referral Hospitals in Kenya: The Moderating Role of Leadership Styles

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Abstract

Service delivery in Kenya's county referral hospitals remains uneven despite ongoing reforms aimed at strengthening fiscal discipline and governance. Financial accountability practices, particularly transparency, compliance with financial regulations, and adherence to reporting standards, play a critical role in enhancing institutional performance. These practices are primarily underpinned by Agency Theory, which explains the need for oversight mechanisms to align the actions of hospital management (agents) with public and government expectations (principals), thereby preventing the misuse of resources and enhancing accountability. This perspective is reinforced by Institutional Theory, which emphasizes adherence to regulatory frameworks and norms, and Total Quality Management Theory, which links accountability processes to continuous improvement and service quality. This study examined the influence of financial accountability practices on service delivery in Level 5 county referral hospitals in Kenya, while also evaluating the moderating influence of leadership styles. A descriptive and quantitative research design was adopted. The target population comprised all 47 county referral hospitals, stratified across Kenya's eight administrative regions. A sample of 148 respondents from hospital management teams was selected using stratified random sampling. Data were collected using structured questionnaires, and the questionnaires' validity and reliability were confirmed through pilot testing, expert review, and Cronbach's alpha. Data analysis involved descriptive statistics, Pearson correlation, and multiple regression, complemented by diagnostic tests. Findings revealed that financial accountability practices significantly influence service delivery outcomes, with leadership styles strengthening this relationship. The study concluded that robust accountability frameworks, reinforced by effective leadership, are essential for enhancing service delivery quality in county referral hospitals.

Keywords: *Financial Accountability practices, Service Delivery, Leadership styles, County Referral Hospitals*

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1. Introduction

Service delivery in Kenya's county referral hospitals remains uneven despite ongoing reforms aimed at strengthening fiscal discipline and governance. Its effectiveness is closely linked to financial accountability practices, which promote transparent resource allocation, minimize wastage, and ensure that expenditures align with patient needs. These practices are primarily grounded in Agency Theory, which emphasizes oversight mechanisms to align hospital managers' actions with public and government expectations (Lan & Heracleous, 2021).

In practice, financial accountability is reflected in timely financial reporting, adherence to regulatory frameworks, and regular internal and external audits. These mechanisms enhance financial integrity, ensure compliance, and facilitate prompt corrective action where necessary (Ndiritu et al., 2021). Additional practices such as public disclosure of financial information, stakeholder participation, and segregation of duties further strengthen transparency and institutional control systems, reducing the risk of mismanagement and improving operational efficiency (Kibet et al., 2023).

Leadership styles play a complementary role in shaping how accountability practices influence service delivery. Transformational and participatory leadership approaches enhance motivation, innovation, and coordination, thereby improving institutional performance (Gathungu & Irungu, 2022). Conversely, autocratic leadership weakens communication and reduces staff morale, negatively affecting service outcomes (Kimathi et al., 2021). Evidence from global health systems shows that strong accountability frameworks supported by effective leadership improve efficiency and patient satisfaction (Berwick et al., 2021). Regionally, participatory leadership has been linked to improved responsiveness and equity in healthcare systems (Pillay & Barron, 2021). Locally, studies in Kenya indicate that prudent financial stewardship and inclusive leadership reduce stock-outs and strengthen compliance with healthcare standards (Maina et al., 2023).

1.1 Problem Statement

County referral hospitals in Kenya play a central role in delivering public healthcare services; however, persistent weaknesses in financial accountability continue to undermine their efficiency and patient outcomes. Reports from the Office of the Auditor General consistently highlight unaccounted-for funds, delayed disbursements, procurement irregularities, and weak internal control systems, leading to resource wastage, shortages of essential medical supplies, and disruptions in service delivery (Odhiambo & Onyango, 2024). Similarly, the Health Sector Performance Report (2023/2024) identifies accountability gaps and low budget absorption rates, emphasizing that governance weaknesses compromise hospital operations and service quality (Ministry of Health, 2024). Empirical evidence further shows that only about 40 percent of county referral hospitals effectively implement financial management best practices compared to a global benchmark of approximately 70 percent, indicating a substantial deficit in accountability mechanisms (Kamau & Mwangi, 2023).

The consequences of weak financial accountability are far-reaching. Inefficient resource utilization erodes patient trust and undermines the sustainability of healthcare services. Additionally, accountability failures contribute to workforce dissatisfaction, as delayed salaries and poor working conditions often trigger industrial actions that disrupt service continuity (Kariuki & Gitonga, 2022). These disruptions weaken institutional performance and reduce the reliability of healthcare provision (Wachira et al., 2023). Despite these challenges, existing

audits and performance reports primarily identify financial irregularities without empirically linking financial accountability practices to service delivery outcomes. Moreover, the moderating role of leadership styles in shaping this relationship remains underexplored, necessitating further investigation.

1.2 Research Objectives

- i. To determine the influence of financial accountability practices on service delivery in Level 5 county referral hospitals in Kenya.
- ii. To establish whether leadership styles moderate the relationship between financial Accountability practices and service delivery in level 5 county referral hospitals in Kenya.

1.3 Research Hypotheses

H₀₁: Financial accountability practices do not significantly influence service delivery in Level 5 county referral hospitals in Kenya.

H₀₂: Leadership styles do not significantly moderate the relationship between financial accountability practices and service delivery in level 5 county referral hospitals in Kenya.

2. Literature Review

2.1 Theoretical Review

Financial accountability practices in county referral hospitals are grounded in Agency Theory, which explains the relationship between principals and agents and highlights the need for oversight mechanisms to align managerial actions with stakeholder interests. In public healthcare, the government and citizens act as principals who entrust hospital management teams as agents with the responsibility of managing financial resources. However, information asymmetry and self-interest may lead to inefficiencies or misuse of resources if effective controls are not established (Jensen & Meckling, 1976).

Agency Theory supports the adoption of accountability mechanisms such as financial reporting, internal and external audits, budget monitoring, and regulatory compliance to enhance transparency and responsible resource utilization. These mechanisms reduce opportunistic behavior, strengthen financial discipline, and align organizational actions with public expectations. Empirical evidence indicates that institutions with strong accountability frameworks achieve improved efficiency, reduced resource wastage, and better service delivery outcomes (Gitonga & Kihoro, 2021). In county referral hospitals, effective financial governance structures grounded in Agency Theory enhance institutional performance by improving trust, operational efficiency, and the delivery of quality healthcare services.

2.1.1 Financial Accountability Practices on Service Delivery

Financial accountability practices are essential for improving service delivery in county referral hospitals, as they ensure efficient use of resources and adherence to established standards. Key mechanisms such as financial reporting, audits, staff evaluations, and public feedback systems enhance transparency, strengthen stakeholder trust, and support better healthcare outcomes. Grounded in Agency Theory, these practices emphasize the need for oversight to align hospital managers' actions with public interests and prevent the misuse of resources (Jensen & Meckling, 1976).

Empirical evidence shows that accountability systems significantly improve service delivery. Regular audits reduce financial mismanagement, enhance procurement efficiency, and strengthen compliance with operational standards, leading to more reliable healthcare services (Gathoni & Muthoni, 2021). Performance appraisal systems linked to incentives and professional development improve staff motivation and accountability, resulting in more consistent patient care (Wanjiku & Kiilu, 2022). In addition, real-time reporting tools and community-based accountability mechanisms have been shown to strengthen public confidence and improve health outcomes (Ntakirutimana & Uwizeyimana, 2023).

Despite these benefits, challenges persist in implementing accountability systems in Kenyan county referral hospitals. Weak enforcement of audit recommendations, politicized oversight, and inadequate feedback systems reduce effectiveness and limit improvements in service delivery (Abok & Obuya, 2020). Strengthening accountability through integrated frameworks that combine compliance monitoring and stakeholder engagement can enhance transparency, improve governance, and support better healthcare outcomes (Mwangi & Gitau, 2024).

2.1.2 Leadership Styles on Financial Accountability Practices and Service Delivery

Leadership styles play a critical role in shaping financial accountability practices and service delivery within healthcare institutions. Transformational leadership fosters transparency, innovation, and responsible financial decision-making by motivating staff to align with institutional objectives and uphold sound financial practices (Bass & Riggio, 2021). Participatory and supportive leadership further strengthens accountability by involving employees in budgeting, expenditure monitoring, and operational planning, thereby enhancing financial discipline and efficiency (Kim & Lee, 2022). In contrast, transactional leadership reinforces compliance with financial policies through performance-based rewards and corrective actions, ensuring effective resource utilization (Bass & Avolio, 2020). However, passive or laissez-faire leadership weakens financial oversight and undermines accountability, negatively affecting service quality (Skogstad et al., 2021). Ethical leadership complements these approaches by promoting integrity, fairness, and transparency in financial governance. Overall, leadership styles determine how financial resources are managed, ultimately influencing accountability mechanisms and healthcare service delivery outcomes (Mohiuddin et al., 2023).

2.2 Conceptual Framework

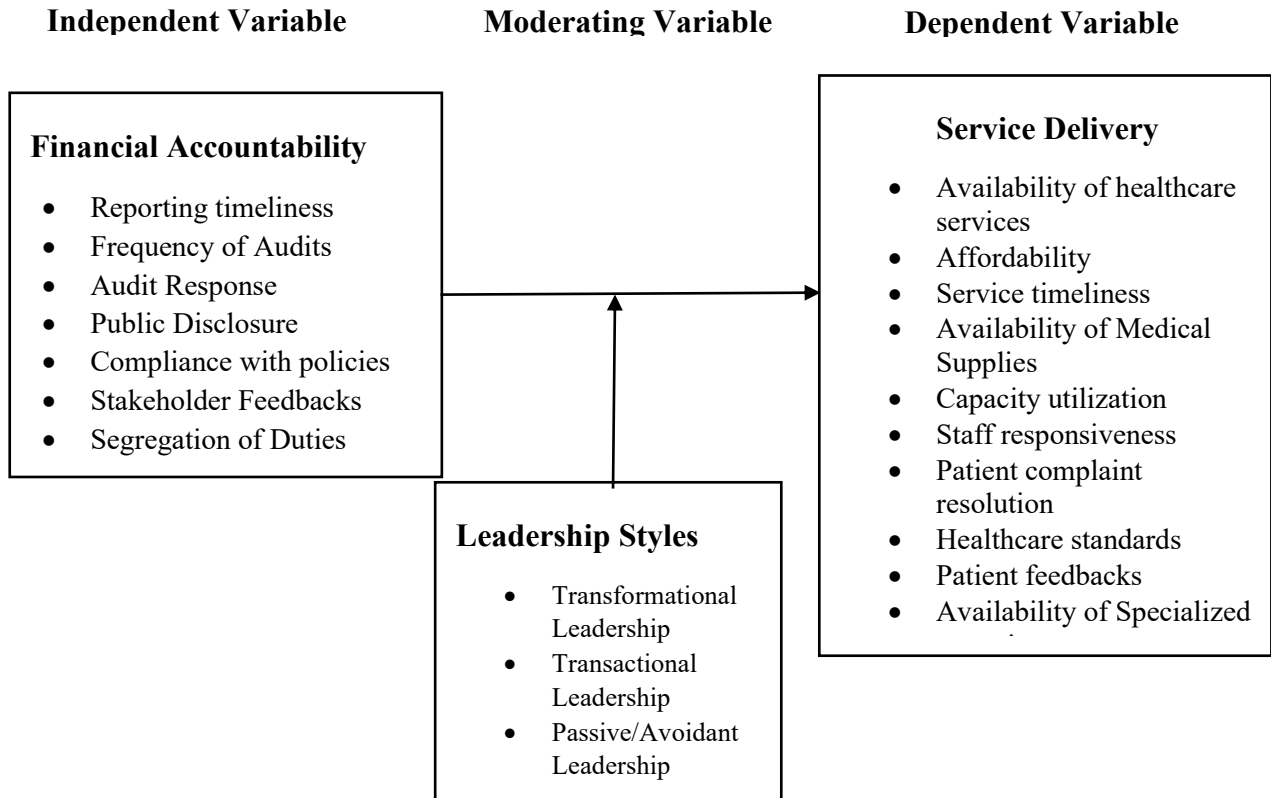


Figure 1: Conceptual Framework

3. Methodology

The study adopted a positivist research philosophy, emphasizing objective measurement and quantitative methods to generate empirical evidence (Ali, 2024). A descriptive and quantitative research design was employed, where the descriptive approach examined prevailing financial accountability practices, while the quantitative approach assessed their relationship with service delivery outcomes (Creswell & Creswell, 2018). To ensure representativeness, stratified random sampling was applied across Kenya’s eight administrative regions, and a sample of 148 respondents was determined from a population of 235 using Yamane’s formula at a 95% confidence level (Taherdoost, 2021).

Data were collected using a semi-structured questionnaire comprising Likert-scale and open-ended items. A pilot study was conducted to refine the instrument and enhance its validity and reliability (Cooper & Schindler, 2014). Validity was assessed through content and construct measures, while reliability was tested using Cronbach’s alpha, with a threshold of 0.7 considered acceptable (Tavakol & Dennick, 2021).

Data analysis was conducted using SPSS, employing descriptive statistics, Pearson correlation, and regression. Diagnostic tests for normality, multicollinearity, and heteroscedasticity were performed to ensure model robustness (Field, 2020). Leadership styles were analyzed as a moderating variable using hierarchical regression with interaction terms (Hayes, 2022). Ethical

standards were upheld through informed consent, confidentiality, and institutional approval (WHO, 2024).

4. Results and Discussion

4.1 Response Rate

A total of 148 questionnaires were distributed to the respondents, out of which 132 were successfully completed and returned, resulting in a response rate of 89.19%. All returned questionnaires were found to be complete and suitable for analysis. This response rate exceeds the minimum acceptable threshold recommended in research literature, indicating adequate participation and enhancing the reliability and generalizability of the study findings.

Table 1: Response Rate

Questionnaires	Frequency	Percentage
Returned	132	89.19
Not Returned	16	10.81
Total	148	100

4.2 Descriptive Analysis of Financial Accountability Practices

The study assessed respondents' perceptions of financial accountability practices in county referral hospitals. Overall, the findings indicate strong agreement that accountability mechanisms are effectively implemented. The results in Table 2 show that internal and external audits recorded the highest mean score ($M = 4.10$, $SD = 0.881$), suggesting that auditing processes are consistently applied and play a key role in detecting irregularities and ensuring compliance. This aligns with evidence that regular audits enhance transparency and strengthen accountability in public institutions (Barroy et al., 2022). Audit effectiveness has also been linked to improved governance outcomes (Flynn & Davis, 2023).

The timely preparation of financial reports ($M = 4.01$, $SD = 0.852$) indicates that reporting systems support monitoring and decision-making. Adherence to reporting standards has been shown to reduce mismanagement and improve financial stewardship (McIntyre & Meheus, 2023). Similarly, prompt responses to audit findings ($M = 4.01$, $SD = 0.869$) indicate the presence of corrective mechanisms that reinforce internal control systems and institutional discipline (Sparkes et al., 2023).

Other practices, including financial transparency ($M = 3.93$, $SD = 0.875$) and segregation of duties ($M = 3.93$, $SD = 0.893$), were moderately rated, indicating functional internal controls. Compliance with financial regulations also showed positive ratings ($M = 3.95$, $SD = 0.859$). However, stakeholder involvement ($M = 3.89$, $SD = 0.858$) was comparatively lower, suggesting limited participatory governance, which remains important for enhancing accountability (Barroy et al., 2022).

The overall mean ($M = 3.97$, $SD = 0.869$) confirms that accountability systems are operational. These findings support Agency Theory, demonstrating that audits, reporting, and compliance

mechanisms enhance transparency, reduce mismanagement, and improve resource utilization in healthcare institutions.

Table 2: Descriptive Results for Financial Accountability Practices

Statement	N	Min	Max	Mean	S D
Financial reports are prepared and submitted on time.	132	1	5	4.01	.852
Internal and external audits are conducted regularly and objectively.	132	1	5	4.10	.881
Audit findings are addressed promptly through corrective actions.	132	1	5	4.01	.869
Financial data are shared transparently with management and oversight bodies.	132	1	5	3.93	.875
Hospital management adheres to financial policies and statutory regulations.	132	1	5	3.95	.859
Stakeholder feedback informs financial decision-making.	132	1	5	3.89	.858
There is clear segregation of duties in financial transactions.	132	1	5	3.93	.893

4.3 Descriptive Analysis of Leadership Styles

The descriptive results in Table 3 indicate that leadership styles in county referral hospitals are generally perceived as supportive and conducive to effective organizational functioning. Respondents reported overall agreement that leadership behaviors enhance staff motivation, engagement, and performance, as reflected by an aggregate mean score of 3.94 (SD = 0.856). This suggests that leadership practices are moderately strong and play a key role in shaping workplace dynamics.

Leaders were found to actively support employee development, with the highest-rated item indicating that leaders help others develop themselves (M = 4.02, SD = 0.886). This reflects a strong emphasis on capacity building, which is associated with improved competence and organizational effectiveness (Alilyyani et al., 2022). Additionally, leaders were perceived as fostering positive interpersonal relationships, as employees reported feeling valued (M = 3.84, SD = 0.799), thereby strengthening teamwork and service delivery outcomes.

Leadership behaviors also promote intellectual stimulation, with respondents indicating that leaders encourage innovative thinking (M = 3.82) and provide new perspectives (M = 3.84), consistent with transformational leadership principles that enhance creativity and problem-solving (Yukl, 2021). Clear communication of expectations (M = 3.86) further supports alignment between individual roles and institutional goals.

Motivational practices such as recognition and feedback (M ≈ 3.92–3.93) enhance accountability, while high levels of trust (M ≈ 3.98–3.99) reinforce employee commitment. However, moderate ratings for passive leadership (M = 3.95–4.10) suggest limited intervention in stable situations, which may constrain innovation. Overall, leadership styles support improved coordination and institutional performance.

Table 3: Descriptive Results for Leadership Styles Variable

Statement	N	Min	Max	Mean	SD
I make others feel good to be around me.	132	1	5	3.84	.799
I express, in a few simple words, what we could and should do.	132	1	5	3.86	.880
I enable others to think about old problems in new ways.	132	1	5	3.82	.818
I help others develop themselves.	132	1	5	4.02	.886
I tell others what to do if they want to be rewarded for their work.	132	1	5	3.92	.865
I am satisfied when others meet agreed-upon standards.	132	1	5	3.98	.856
I am content to let others continue working in the same way as always.	132	1	5	3.89	.867
Others have complete faith in me.	132	1	5	3.99	.833
I provide appealing images of what we can do.	132	1	5	3.98	.847
I provide others with new ways of looking at puzzling things.	132	1	5	3.84	.863
I let others know how I think they are doing.	132	1	5	3.93	.893
I provide recognition/rewards when others reach their goals.	132	1	5	3.92	.838
As long as things are working, I do not try to change anything.	132	1	5	3.95	.832
Whatever others want to do is O.K. with me.	132	1	5	4.02	.886
Others are proud to be associated with me.	132	1	5	3.98	.847
I help others find meaning in their work.	132	1	5	3.91	.869
I get others to rethink ideas that they had never questioned before.	132	1	5	3.92	.865
I give personal attention to others who seem rejected.	132	1	5	3.93	.867
I call attention to what others can get for what they accomplish.	132	1	5	3.96	.860
As long as things are working, I do not try to change anything.	132	1	5	4.10	.855
I ask no more of others than what is absolutely essential.	132	1	5	4.00	.865

4.4 Descriptive Analysis of Service Delivery

Service delivery was assessed across key dimensions, including availability, affordability, responsiveness, efficiency, and quality of care. In public healthcare institutions, these outcomes are influenced by institutional capacity, resource availability, and the effectiveness of management practices guiding resource utilization. Evidence shows that improvements in management systems and efficient use of resources enhance service delivery outcomes (McPake et al., 2023). Strengthening health system responsiveness further improves performance (Barasa et al., 2021).

The descriptive results in Table 4 indicate moderate to high agreement across most indicators. Respondents reported that healthcare services are moderately available ($M = 3.37$, $SD = 0.920$) and affordable ($M = 3.58$, $SD = 0.958$), suggesting efforts to maintain access despite resource constraints. Service efficiency recorded a high mean score ($M = 4.10$, $SD = 0.915$), indicating that services are delivered promptly. Similarly, the availability of essential drugs and supplies ($M = 3.87$, $SD = 0.851$) reflects relatively stable supply chains, which are critical for healthcare outcomes (Tsofa et al., 2022).

However, some areas require improvement, including operational capacity ($M = 3.11$, $SD = 1.123$), complaint management ($M = 3.18$, $SD = 0.995$), and monitoring of healthcare standards ($M = 3.17$, $SD = 0.895$). Staff responsiveness ($M = 3.54$, $SD = 1.022$) and patient satisfaction ($M = 4.14$, $SD = 0.811$) were rated positively, while staff training ($M = 3.12$, $SD = 1.172$) remains relatively low.

The overall mean ($M = 3.54$, $SD = 0.961$) indicates that service delivery is moderately effective, highlighting the need to strengthen institutional capacity and resource management systems.

Table 4: Descriptive Results for Service Delivery

Statement	N	Min	Max	Mean	SD
Healthcare services are always available to the patients.	132	1	5	3.37	.920
Healthcare services are often affordable to the patients.	132	1	5	3.58	.958
Required healthcare services are often delivered promptly and efficiently.	132	1	5	4.10	.915
Essential drugs, equipment, and supplies are readily available.	132	1	5	3.87	.851
The hospital operates at its maximum capacity.	132	1	5	3.11	1.123
Staff respond promptly to patient needs and emergencies.	132	1	5	3.54	1.022
Management actively addresses patients' concerns and complaints.	132	1	5	3.18	.995
Healthcare standards are clearly defined and monitored.	132	1	5	3.17	.895
Patients are satisfied with the quality of services offered.	132	1	5	4.14	.811
Feedback from patients is regularly collected and acted upon.	132	1	5	3.80	.912
Staff are adequately trained to deliver specialized care.	132	1	5	3.12	1.172

Respondents were asked in their opinions to *evaluate overall service delivery in their hospitals over the past five years in relation to the implementation of prudent financial management practices*. The results presented in Table 5 show that the majority of respondents perceived a

noticeable improvement in service delivery during this period. Specifically, 118 respondents indicated that service delivery has improved, while only 14 respondents reported no improvement.

These findings suggest a strong consensus among healthcare professionals that enhanced financial management practices have contributed positively to the performance of county referral hospitals.

Table 5: Overall Rating of Service Delivery Based on Prudent Financial Management

Response	Frequency	Percentage (%)
Service Delivery has improved in the last five years	118	89.39
Service Delivery has not improved in the last five years	14	10.61
Total	132	100

4.5 Bivariate Correlation Analysis

Results in Table 6 show a strong, positive, and statistically significant relationship between financial accountability practices (X_1) and service delivery (Y) ($r = 0.671$, $p < 0.01$). This indicates that improved accountability practices are associated with better service delivery outcomes.

Leadership styles (Z) also exhibit a moderate positive correlation with service delivery ($r = 0.398$, $p < 0.01$), suggesting that effective leadership contributes to improved performance. Additionally, leadership styles show a weak yet significant relationship with financial accountability practices ($r = 0.186$, $p < 0.05$), suggesting some influence on the implementation of accountability practices.

Table 6: Results of Correlation Analysis of Variables

Variable	Y	X_1	Z
Service Delivery (Y)	1		
Sig. (2-tailed)			
N	132		
Financial Accountability Practices (X_1)	.671**	1	
Sig. (2-tailed)	.000		
N	132	132	
Leadership Styles (Z)	.398**	.186*	1
Sig. (2-tailed)	.000	.032	
N	132	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.6 Test of Hypothesis

4.6.1 Test of Hypothesis One: Financial Accountability Practices on Service Delivery

The objective examined the influence of financial accountability practices on service delivery using regression analysis in Model 1. The results in Table 7 show a strong positive relationship ($R = 0.671$) between financial accountability practices and service delivery. The coefficient of determination ($R^2 = 0.450$) indicates that 45% of the variation in service delivery is explained by accountability mechanisms such as auditing, financial reporting, and expenditure monitoring. The adjusted R^2 (0.446) confirms model reliability, while the standard error (0.56679) suggests low prediction error. Overall, the findings demonstrate that financial accountability practices are significant predictors of service delivery performance in county referral hospitals.

Table 7: Model Summary of Financial Accountability Practices

Model R	R Square	Adjusted R-Square	Std. Error of the Estimate	Change Statistics					
				R Square Change	F Change	df1	df2	Sig. F Change	
1	.671 ^a	.450	.446	.56679	.450	106.514	1	130	.000
2	.704 ^b	.496	.488	.54493	.045	11.638	1	129	.001
3	.707 ^c	.499	.488	.54512	.004	.911	1	128	.342

a. Predictors: (Constant), Zscore(X_1)

b. Predictors: (Constant), Zscore(X_1), Zscore(Z)

c. Predictors: (Constant), Zscore(X_1), Zscore(Z), ZX_1

The ANOVA results presented in Table 8 further assess the overall significance of the regression model 1. The findings show a regression sum of squares of 34.218 and a residual sum of squares of 41.763. The computed F-statistic is 106.514, with a corresponding p-value of 0.000. Since the p-value is less than 0.05, the regression model is statistically significant. This indicates that financial accountability practices significantly explain variations in service delivery and that the observed relationship is not due to random chance. The relatively lower residual mean square value also suggests that a considerable proportion of variation in service delivery is captured by the model, although other factors may still contribute to performance outcomes.

Table 8: ANOVA^a Results for Financial Accountability Practices

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.218	1	34.218	106.514	.000 ^b
	Residual	41.763	130	.321		
	Total	75.981	131			
2	Regression	37.674	2	18.837	63.434	.000 ^c
	Residual	38.307	129	.297		
	Total	75.981	131			
3	Regression	37.945	3	12.648	42.564	.000 ^d
	Residual	38.036	128	.297		
	Total	75.981	131			

a. Dependent Variable: Y

b. Predictors: (Constant), Zscore(X₁)

c. Predictors: (Constant), Zscore(X₁), Zscore(Z)

d. Predictors: (Constant), Zscore(X₁), Zscore(Z), ZX₁

Further insights are provided by the regression coefficients in Table 9. The constant term ($\beta_0 = 3.878$) represents the baseline level of service delivery when financial accountability practices are held constant at zero level. The beta value ($\beta_1 = 0.511$, $P < 0.001$) indicates that financial accountability practices are positively and significantly associated with service delivery in level 5 county referral hospitals in Kenya. This implies that improvements in financial accountability practices lead to measurable enhancements in service delivery in these hospitals. This leads to rejection of null hypothesis H_{01} , which stated that “Financial accountability practices do not significantly influence service delivery in level 5 county referral hospitals in Kenya” in favor of H_1 and concludes that “Financial accountability practices significantly influence service delivery in level 5 county referral hospitals in Kenya”.

From a practical perspective, the findings highlight the importance of strengthening financial accountability systems within county referral hospitals. Mechanisms such as internal audits, financial reporting, and compliance monitoring enhance transparency and promote responsible utilization of public resources. These systems help minimize financial leakages, ensure funds are directed toward essential healthcare services, and improve operational efficiency, ultimately supporting the delivery of timely, high-quality healthcare services.

The findings are consistent with prior studies. Strong financial oversight systems have been shown to improve efficiency and service delivery in public healthcare institutions (Gathungu & Waweru, 2022). Similarly, robust financial monitoring and reporting systems enhance transparency, reduce mismanagement, and improve healthcare outcomes (Kimani & Mutua, 2022). Strengthened financial governance has also been linked to improved institutional performance in public sector organizations (Muriithi & Mwangi, 2023). These results also align with Agency Theory, which emphasizes the role of monitoring and control mechanisms in reducing information asymmetry and limiting opportunistic behavior (Jensen & Meckling, 1976).

Table 9: Regression Coefficients for Financial Accountability Practices

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	3.878	.049		78.611	.000
	Zscore(X ₁)	.511	.050	.671	10.321	.000
2	(Constant)	3.878	.047		81.764	.000
	Zscore(X ₁)	.488	.048	.641	10.161	.000
	Zscore(Z)	.164	.048	.215	3.412	.001
3	(Constant)	3.871	.048		80.452	.000
	Zscore(X ₁)	.487	.048	.640	10.134	.000
	Zscore(Z)	.163	.048	.214	3.396	.001
	Z*X ₁	.055	.058	.060	.955	.342

a. Dependent Variable: Y

4.6.2 Test of Hypothesis Two: Leadership Styles as a Moderating Variable on Financial Accountability Practices and Service Delivery

The second hypothesis sought to determine whether leadership styles moderate the relationship between financial accountability practices and service delivery in Level 5 county referral hospitals in Kenya. Moderated regression analysis was conducted to assess whether leadership styles influence the strength or direction of this relationship through interaction effects. The following three models were used in the analysis:

Model I (Without Moderator):

$$Y = \beta_0 + \beta_i X_i + \epsilon \dots \dots \dots (1)$$

Where: Y = Service delivery, β_0 = Constant, β_i = Coefficient of independent variable X_i , X_1 = Financial accountability practices and ϵ = Stochastic error term

Model II (With Moderator as an Independent Variable):

$$Y = \beta_0 + \beta_i X_i + \beta_j Z_j + \epsilon, \dots \dots \dots (2)$$

Where: Z_j = Moderating Variable: leadership style β_s = Coefficient for the moderator

Model III (Interaction Terms for Moderation):

$$Y = \beta_0 + \beta_i X_i + \beta_j Z_j + \beta_{ij} (X_i \cdot Z_j) + \epsilon \dots \dots \dots (3)$$

Where: $X_i \cdot Z_j$ = Interaction terms between each independent variable X_i and the moderator Z_j , β_{ij} = Coefficients for the interaction terms, Z_j = Moderator (leadership style)

The findings in the model summary in Table 7 indicated a significant change in the F-statistic between Model 1 and Model 2. The R^2 increased by 4.6%, from 45% in Model 1 to 49.6% in Model 2, and this change is statistically significant. This indicates that when leadership styles were included in Model 2 as an independent variable (Z), the model’s explanatory power improved by 4.6%. When interaction terms were included in Model 3, the model’s explanatory power slightly improved by 0.3% to 49.9%, but this change was insignificant since the P-Value is greater than 0.05 in Model 3.

The Model Validity, as shown in the ANOVA Table 8, indicated that all three models were valid for further analysis, as shown by $F_{(1,130)} = 106.514$, $P < 0.001$ in model 1, $F_{(2, 129)} = 63.434$, $P < 0.001$, and $F_{(3,128)} = 42.564$, $P < 0.001$. This implies that financial accounting practices and leadership styles are good predictors of variations in service delivery in level 5 county referral hospitals in Kenya.

Table 9 shows the regression weights in the three models. All variables are statistically significant in the first two models. However, in Model 3, where the interaction terms between financial accounting practices and leadership styles are added ($Z * X1$), the interactions are insignificant because the p-values exceed 0.05. Specifically, the interaction term between leadership styles and financial accountability practices yielded a coefficient $B_{ij} = 0.055$ with a p-value of 0.342, which exceeds the 0.05 significance threshold. This implies that, although leadership styles as an independent variable improve service delivery in level 5 county hospitals in Kenya, the interaction between financial accountability practices and leadership styles does not directly influence service delivery outcomes. This leads to the failure to reject H_{02} and conclude that “leadership styles do not significantly moderate the relationship between financial accountability practices and service delivery in level 5 county referral hospitals in Kenya”. However, leadership styles remain a key contextual factor influencing the overall effectiveness of financial management practices in healthcare institutions in Kenya today.

5. Conclusion

The study established that financial accountability practices have a positive and statistically significant effect on service delivery in Level 5 county referral hospitals in Kenya. Mechanisms such as timely financial reporting, internal and external audits, and expenditure monitoring enhance operational efficiency, improve resource utilization, and strengthen institutional governance. These practices promote financial discipline, reduce mismanagement, and ensure that resources are directed toward essential healthcare services, thereby improving patient outcomes. Regression results confirmed this relationship, leading to the rejection of the null hypothesis and affirming the importance of accountability frameworks. The study further found that leadership styles do not significantly moderate this relationship. However, leadership plays a supportive role by enhancing coordination, accountability, and implementation of financial practices, thereby contributing to improved institutional performance.

6. Recommendations

County referral hospitals should strengthen financial accountability systems by improving financial reporting, auditing processes, and monitoring of resource utilization. Transparent and timely reporting will enable hospital management and county authorities to track financial performance effectively, while consistent internal and external audits will help identify inefficiencies and prevent misuse of resources. Strengthening compliance with financial regulations will enhance accountability and build stakeholder confidence in the management of public healthcare funds. Hospital administrators should also prioritize leadership capacity development to support effective financial governance. Targeted training programs focusing on strategic planning, accountability, and coordination will improve oversight and implementation of financial practices. Enhancing communication, reinforcing ethical leadership, and strengthening supervisory roles will further improve coordination across departments and ensure effective use of resources, ultimately contributing to improved healthcare service delivery outcomes.

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