REVIEWED JOURNAL INTERNATIONAL of BUSINESS MANAGEMENT
ISSN 2663-127X

Vol. 5, Iss. 1 (2024), pp 460 – 472, October 19, 2024. www.reviewedjournals.com, ©Reviewed Journals

FISCAL STRUCTURE AND SOCIAL TRANSFORMATION IN NORTH EASTERN REGION, KENYA

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Accepted: September 17, 2024

DOI: https://doi.org/10.61426/business.v5i1.244

ABSTRACT

Changes in fiscal structures have resulted in a movement in the political sphere from a more localized to a globalized concept and from centralized to decentralized institutions. Little research has been done in the Kenyan context examining the correlation between fiscal structure and community social transformation. This study's primary goal is to investigate how fiscal structure affects social transformation in the North Eastern region of Kenya. This study used the pragmatism philosophical framework and employed an explanatory with a descriptive cross-sectional design. The unit of analysis comprised of counties of the North Eastern region of Kenya which included Garissa, Wajir and Mandera counties. The unit of observation was the senior employees (Job group M to S) in Garissa, Wajir and Mandera counties. The target population was 2002 senior employees of the 3 County governments. The research instrument generated both quantitative and qualitative data. Qualitative data was analyzed using thematic analysis. Quantitative data was analyzed using both descriptive and inferential statistics. Descriptive statistics comprised of frequencies, percentages, mean score, and standard deviation. Inferential statistics included correlation analysis and linear regression analysis. The study further established that fiscal structure has a positive and significant effect on social transformation in the North Eastern region of Kenya. The study recommends that it is crucial for the county government to continue reinforcing these mechanisms by implementing regular audits and public disclosures. Regular audits will provide an objective evaluation of fund management, while public disclosures will keep the community informed about fund allocation and usage.

Keywords: *Fiscal Structure, Social Transformation, Devolved Governance*

CITATION: Influence of sports officials' attitudes on the implementation of corporate governance in sports federations in Kenya. *Reviewed Journal International of Business Management*, 5 (1), 460 – 472. https://doi.org/10.61426/business.v5i1.244

INTRODUCTION

Social transformation has become a focal point in recent political discourse, reflecting its critical role in shaping societal progress and governance. This increased attention arises from the understanding that addressing entrenched social inequalities and driving systemic reforms are essential for sustainable development and equitable growth (Ansell, Sørensen & Torfing, 2023). Political conversations now frequently center on implementing policies that promote social inclusion, economic opportunity, and overall well-being. The drive for social transformation seeks to tackle enduring challenges such as poverty, education gaps, and healthcare access, aiming to build a fairer and more cohesive society (Borusyak, Hull & Jaravel, 2022). Consequently, political agendas and strategies are increasingly designed to create transformative impacts that address the diverse needs and aspirations of communities (Barkin & Sánchez, 2020).

Devolution plays a pivotal role in social transformation by improving service delivery, enhancing citizen participation, fostering economic development, and strengthening social cohesion (Batley, McCourt & Mcloughlin, 2021). By decentralizing authority and resources from central governments to local entities, devolution facilitates more responsive and tailored solutions to community needs, thus advancing healthcare, education, and infrastructure (Heller, 2019). This localized governance model encourages greater public involvement in decision-making, ensuring that policies align with local priorities and improving accountability. Moreover, local governments can drive economic growth through targeted investments, generating jobs and alleviating poverty. By addressing specific local issues and promoting active community engagement, devolution supports broader and more sustainable social transformation (Mbau, 2020).

Fiscal structure, as a component of devolved governance, significantly influences social transformation across different countries by shaping how resources are allocated and managed at local levels (Mwangi & Muna, 2023). In devolved systems, the distribution of fiscal responsibilities and revenue between central and local governments can impact social outcomes, such as public service delivery, economic development, and social equity. In countries like Germany, the fiscal decentralization framework allows local governments significant autonomy in budget management and revenue generation. This decentralization has enabled more tailored and responsive social policies, contributing to strong local development and improved public services. Similarly, in Canada, fiscal federalism supports provincial governments with the capacity to address regional disparities and customize social programs, leading to notable advancements in education and healthcare services at the provincial level (Mavridis, 2022).

In Nigeria, the inconsistencies within fiscal federalism create significant challenges, as the distribution of revenue between federal and state governments often results in resource imbalances. This uneven allocation can severely affect local governance capabilities, leading to inefficiencies in service delivery and hindering social transformation in various states (Agbiji & Swart, 2020). Similarly, in Kenya, while fiscal decentralization has played a crucial role in local development, challenges such as insufficient resource allocation and capacity constraints at the county level persist (Mwenzwa & Kilonzi, 2022). These issues impede local governments' ability to address social needs effectively, limiting their potential to drive meaningful and transformative changes in communities (Nyaga, 2021).

Statement of the Problem

Social change is a fundamental process and a key aspect of societal development, increasingly central to modern leadership and governance. Research consistently highlights a significant link between governance structures and social transformation (Nyaga, 2021; Onyango & Agong, 2018; Maupeu & Robertson, 2021). A local study by Wanyoike and Maseno (2021) emphasizes that effective governance approaches, particularly decentralized systems, can drive substantial social change. Recent surveys indicate that devolved governance in Kenya has improved living standards and fostered social transformation, garnering broad support from the population (Simonet, 2019). The 2022 Kenya Demographic Health Survey further reflects positive impacts of devolved governance.

In North Eastern Kenya, however, the benefits of devolution are uneven. Despite significant efforts, the region continues to face severe social exclusion and marginalization. Statistics from the Kenya National Bureau of Statistics (KNBS, 2019) reveal that 3.2 million people in rural areas remain entrenched in extreme poverty and poor living conditions. The International Labour Organization (ILO, 2023) reports that individuals in North Eastern Kenya live on less than Sh3,252 per month, or under Sh100 per day, for essential needs. Additionally, data from the World Federation of Exchanges (2021) shows a minimal reduction in poverty in the North Eastern region—only 2% over the past decade—compared to a substantial 9.8% decrease in other regions of Kenya.

The fiscal structure in North Eastern Kenya has been marked by uneven resource allocation, lack of financial transparency, and limited investment in key sectors such as healthcare, education, and infrastructure. These issues are compounded by challenges in the effective implementation of fiscal policies and the capacity of local governments to manage and utilize funds efficiently (Suraw & Njoroge, 2023). The disparity in fiscal resource distribution has resulted in a persistent gap between North Eastern Kenya and other regions in terms of development and social outcomes. For instance, while other parts of Kenya have seen significant improvements in infrastructure and service delivery, North Eastern Kenya has lagged behind, with minimal progress in reducing poverty and improving social standards. This inadequacy in the fiscal structure undermines the potential for meaningful social transformation, as financial resources are not sufficiently directed toward addressing the region's unique needs and promoting equitable development.

From the foregoing, it is clear that the pace of social transformation in North-Eastern Kenya is insignificantly associated with the change in fiscal structure in Kenya. Despite significant complimentary evidences that support development of fiscal structure impacting positively on social change and livelihoods, the same relationship is not apparent in North Eastern region in Kenya. In addition, studies conducted on fiscal structure in Kenya have been limited to specific counties. For instance, Mbau (2020) studied the effect of fiscal decentralisation on performance of County Governments in Kenya; and Mwangi and Muna (2023) examined the effect of fiscal decentralisation on public service delivery in county governments in Kenya. However, Mbau (2020) utilized performance as the dependent variable while Mwangi and Muna (2023) utilized public service delivery as the dependent variable. This study therefore sought to examine the influence of fiscal structure on social transformation in the North Eastern region in Kenya.

LITERATURE REVIEW

Theoretical Literature Review

The study was anchored on Souffle Theory, which was developed by French sociologist Jean-Paul Souffle in 1987, provides a nuanced framework for examining group behavior and organizational dynamics (Wagana & Iravo, 2021). This theory emphasizes the pivotal role of social structures and cultural contexts in shaping how groups interact and make decisions. It asserts that organizational behavior is influenced by a blend of internal factors—such as leadership styles, communication practices, and organizational culture—and external factors like societal norms and cultural values. Souffle Theory operates on the assumption that these internal and external elements create a complex interplay, which can either enhance or obstruct the effectiveness and adaptability of groups and organizations (Sutiyo, 2020).

Souffle Theory offers valuable insights into the interplay between financial policies and social change. It posits that the success of fiscal policies in fostering social transformation largely depends on how well they align with local cultural and social dynamics. In regions like North Eastern Kenya, where traditional values and cultural practices are paramount, the theory underscores the importance of integrating these aspects into fiscal policy and resource allocation. It suggests that for fiscal policies to be effective, they must respect and incorporate local customs and values (Hart & Spero, 2018). By blending customary practices with contemporary fiscal strategies, Souffle Theory advocates for a culturally sensitive governance approach, enhancing community engagement, building trust, and ultimately driving more profound social transformation.

Conceptual Framework

Figure 1 is a diagrammatic representation of the relationship between the independent variable and the dependent variable. The independent variable in this study was fiscal structure and the dependent variable was social transformation.

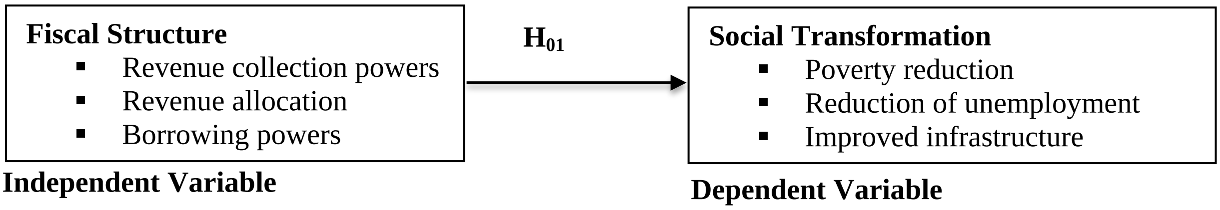

Figure 1: Conceptual Framework

Empirical Review

Okotoni (2020) investigated fiscal federalism, governance, and local government finances in Nigeria, concentrating on local government administration and other income-generating challenges. It examined the legal, structural, and procedural procedures for administration and inter-governmental interactions in local government under the federal system of governance. The survey targeted 2,061 county government officials. The research population included national and local government officials, highlighting intergovernmental interactions. Multi-phase sampling selected 384 research individuals. The study revealed that fiscal relations positively influenced governance. However, lack of budgetary autonomy, autonomous local government, and delayed local government elections have led to poor local management in Nigeria. The data also showed that the overpowering contribution of 93% of oil revenue to the national income, which prevents state and local governments from generating 25% of their budget, and the low tax culture among the people continues to harm local government administration in Nigeria.

Oluwole (2020) examined Lagos state local government service performance and intergovernmental budgetary connections. Structured questionnaires were given to community people and chosen local government personnel to attain this goal. Simple random and cluster sampling selected respondents. Based on the federal principles' theory, the research found that grass-roots growth is hindered by state-local government shared accounts and duties, a lack of openness and accountability, and money distribution. The results also show that intergovernmental budgetary ties have improved service delivery, but not enough to achieve grassroots development. Thus, intergovernmental fiscal relations have greatly enhanced Lagosians' lives.

Chipunza (2021) used Chitungwiza Municipality (CM) to examine fiscal decentralization as a local governance reform option in Zimbabwe. The research examined CM's fiscal performance and fiscal decentralization's prerequisites. The study also examined how fiscal decentralization affects local government service delivery. The study's last emphasis was on how the central government's fiscal management relationship with local governments may benefit from the paper's recommended sustainable methods to improve fiscal performance in local governments.

Angahar (2021) examined how intergovernmental financial relationships affect local government service delivery in Nigeria. It employed nationally representative household-level panel data. Fiscal federalism in Nigeria divides spending and taxing authority among federal, state, and local administrations. According to the 1999 constitution, local governments produce a negligible amount of money. Since internal income sources are negligible, Nigerian local governments mainly rely on statutory allotment. Local governments struggled to provide services at the grassroots due to a mismatch between duties and income powers at the lowest tier of government. Given that 70% of Nigerians live in rural regions and the primary influence of government on their lives is service delivery by local governments, which was missing in most local governments due to the inter-governmental financial ties and corruption, this was not a healthy condition.

Sow and Razafimahefa (2022) examined fiscal decentralization and public service efficiency. It estimated time-varying efficiency coefficients using a stochastic frontier approach and examined how fiscal decentralization affected them. Under some settings, fiscal decentralization may enhance public service delivery. First, decentralization needed political and institutional frameworks. Second, substantial spending decentralization was needed for good results. Third, income decentralization must match spending devolution. Fiscal decentralization might reduce public service efficiency without such criteria.

ShaN (2019) examined three-tiered government budgetary relations and their effects on local councils. The three-tiered government's budgetary dilemma prompted the research. State and federal administrations used constitutional loopholes to stifle local government performance. The research found non-correspondence in intergovernmental budgetary ties, lack of local council autonomy and independence, and state government overreach against local governments. Survey methodology was used. Twenty of 774 local councils were sampled. The research used primary and secondary data. Contingency tables and percentages assessed data. The analysis found that Nigeria's 1979 and 1999 constitutions caused intergovernmental budgetary problems. Some states treated local councils as adjuncts of the state, and fiscal federalism hurt local council effectiveness.

METHODOLOGY

The study adopted a pragmatism research philosophy and utilized a descriptive cross-sectional research design to assess the degree of relationship between study components at a specific point in time. The unit of analysis comprised of counties of the North Eastern region of Kenya which comprised of Garissa, Wajir and Mandera counties. The selection of this region is motivated by high marginalization, slow economic growth, and persistent stagnating social transformation. The unit of observation was the senior employees (Job group M to S) in Garissa, Wajir and Mandera counties. The target population was 2002 senior employees of the 3 County governments.

Table 1: Population of the Study

Job Group	Garissa County	Mandera County	Wajir County
S	45	38	32
R	88	69	62
Q	77	67	70
P	127	121	119
N	199	175	173
M	194	175	171
Subtotal	**730**	**645**	**627**
Total			**2002**

According to Mugenda & Mugenda (2003), the size of a sample for a particular study was calculated as follows:

$$n = \frac{Z^2 pq}{d^2}$$

Where: n is the desired sample size; z is the standard normal deviate at the required confidence level, (Z=1.96), for a confidence level of 95% which is popularly adopted in social science research; p is the proportion in the target population estimated to have the characteristics being measured; and d = is the level of statistical significance, e.g., d=5% = 0.05

$$n = \frac{1.96^2 * 0.5 * 0.5}{0.05^2}$$

Thus, this gives the sample size of 384, which is considered to be adequate for this study which was proportionally distributed across the counties accordingly. The study employed a simple random sampling technique to select 384 employees from the sampling frame that was sourced from the respective counties public service board. Both primary data and secondary data were collected. Primary data was collected using questionnaires which is interviewer administered. The questionnaire was semi-structured and also included matrix and Likert items where possible. However, secondary data was collected through empirical and theoretical reviews of the existing literatures. A pilot study was conducted with 10% of the sample size to assess the validity and reliability of the research instrument.

The research instrument generated both quantitative and qualitative data. Qualitative data was analyzed using thematic analysis. Thematic analysis is a method for identifying, analyzing, and interpreting patterns of meaning (themes) within qualitative data. The results were presented in a prose form. Quantitative data was analyzed using both descriptive and inferential statistics. Descriptive statistics comprising of frequencies, percentages, mean score, and standard deviation, was generated to allow the researcher adequately explain the distribution of scores or measures using a few indices. Inferential statistics included correlation analysis and linear regression analysis.

Diagnostic tests help in the identification of potential violations of assumptions and address them appropriately. Violations of regression assumptions can lead to biased parameter estimates, incorrect standard errors, and invalid hypothesis tests (Babbie, 2017). Diagnostic tests help ensure the validity of inferences drawn from the regression model. In addition, diagnostic tests help identify influential data points that may distort the regression model. In addition, Friedman et al. (2022) indicates that by identifying and addressing violations of assumptions, researchers can have more confidence in the reliability and generalizability of their findings. Diagnostic tests in this study included normality, multicollinearity, homoscedasticity, and autocorrelation tests. The regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where; Y social transformation; B_0 represents Constant; β_1- β_4 represent coefficients of determination; X_1 represents fiscal structure; ε represents error term.

FINDINGS AND DISCUSSIONS

The study's sample size comprised of 384 employees working in Job groups S to M in the North Eastern region of Kenya comprising of Garissa, Wajir and Mandera counties. The response rate was shown in Table 2.

Table 2: Questionnaires' Response Rate

County	Sample Size	Responses	Response Rate
Garissa	140	109	77.86
Mandera	124	102	82.26
Wajir	120	101	84.17
Total	**384**	**312**	**81.25**

A total of 384 questionnaires were distributed to employees working in Job groups S to M in Garissa, Wajir and Mandera counties, out of which 312 responses were obtained. This gives an 81.25% response rate. According to Babbie (2017), a response rate of 50% is sufficient for effective analysis and reporting, a response rate of 60% is good while a response rate of 70% is regarded as excellent. This means that the response rate of 81.25% was acceptable and hence the responses were adequate in making inferences and conclusions about the population.

Fiscal Structure

The objective of the study was to assess the influence of fiscal structure on social transformation in North Eastern region in Kenya. The respondents were asked to indicate the extent to which they agreed or disagreed with various statements about the fiscal structure in their counties. The results were as shown in Table 3.

Table 3: Aspects of Fiscal Structure

Indicative Statement	Mean	Std. Deviation
County revenue departments have adequate authority for tax collection	4.217	.619
Our County has a strong and formal revenue collection system	3.916	.764
Tax collection agencies participate in policy issues based on local priorities and needs	4.134	.606
Granting greater revenue collection powers to local governments increases their autonomy and responsiveness to local needs.	3.900	.825
Centralized revenue collection systems can promote efficiency and equity in resource allocation.	4.211	.689
The allocation of revenue impacts public service delivery, development, and equity.	3.948	.800
Our revenue allocation system ensures fair distribution of resources.	4.099	.817
Allocation of revenue to the local administrative units is equitable.	4.067	.684
Our revenue allocation system promotes predictability and stability in resource flows	3.810	.836
The annual financial allocation take into consideration the dynamics of local administrative units	3.974	.716
There mechanisms that allow the local administrative units to independently borrow funds to finance development projects and initiatives.	4.073	.644
Our county administration ability to borrow funds provides governments with flexibility to finance infrastructure projects, respond to emergencies.	4.080	.569
Our County government has clear legal frameworks and institutional safeguards to regulate borrowing powers	4.115	.656
Legal frameworks in our County ensure accountability for debt management.	4.083	.620

With a mean of 4.217 (Std. Deviation=0.619), as shown in Table 3, the respondents agreed that county revenue departments have adequate authority for tax collection. These findings are in agreement with Okotoni (2020) argument that local governments in Nigeria were responsible of collecting revenue from the community. In addition, the respondents agreed with a mean of 4.211 (Std. Deviation=0.689) that centralized revenue collection systems can promote efficiency and equity. The respondents also agreed with a mean of 3.916 (Std. Deviation=0.764) with the statement indicating that the county has a strong and formal revenue collection system. With a mean of 4.134 (Std. Deviation=0.606), the respondents agreed that tax collection agencies participate in policy issues based on local priorities and needs. As shown by a mean of 3.900 (Std. Deviation=0.825), the respondents agreed that granting greater revenue collection powers increases local government autonomy. However, Oluwole (2020) observed that overlap in revenue collection between the local and the federal governments leads to lack of openness and accountability, which in turn erodes delivery of services.

With a mean of 4.067 (Std. Deviation=0.684), the respondents agreed that the allocation of revenue to local administrative units is equitable. As shown by a mean of 4.099 (Std. Deviation=0.817), the respondents agreed that the revenue allocation system ensures fair distribution of resources. The findings agree with Chipunza (2021) findings that governance in revenue collection helps local administrations in ensuring fair distribution of resources. With a mean of 3.974 (Std. Deviation=0.716), the respondents agreed that the annual financial allocation takes into consideration the dynamics of local administrative units. The respondents agreed that the allocation of revenue impacts public service delivery, development, and equity as shown by a mean of 3.948 (Std. Deviation=0.800). These findings are in concurrence with Chipunza (2021) argument that revenue allocation has a significant impact on public service delivery. The respondents agreed that the revenue allocation system promotes predictability and stability as shown by mean of 3.810 (Std. Deviation=0.836). As observed by Angahar (2021), local governments struggled to provide services at the grassroots due to a mismatch between duties and income powers at the lowest tier of government.

With a mean of 4.115 (Std. Deviation=0.656), the respondents agreed that the County government has clear legal frameworks and safeguards for borrowing powers. A shown by a mean of 4.083 (Std. Deviation=0.620), the respondents agreed that legal frameworks ensure accountability for debt management. The respondents also agreed that the County administration's ability to borrow funds provides flexibility for infrastructure projects and emergencies as shown by a mean of 4.080 (Std. Deviation=0.569). The respondents agreed that there are mechanisms for local administrative units to independently borrow funds as shown by a mean of 4.073 (Std. Deviation=0.644).

Social Transformation

The dependent variable of the study was social transformation, which was measured in terms of poverty reduction, reduction of unemployment and improved infrastructure. The respondents were asked to indicate the extent to which they agreed or disagreed with various statements on social changes in their counties. The results were as presented in Table 4.

Table 4: Social Changes in the Counties

Indicative Statement	Mean	Std. Deviation
Absolute poverty has been reducing in our county since the start of devolution	3.996	.741
Healthcare service delivery has been increasing in our county since the start of devolution	4.000	.931
Access to education has increased in our county since the start of devolution	4.003	.723
Our county has managed to break the poverty cycle	3.926	1.025
Our County has been providing economic opportunities for the community members	4.076	.794
Significant reduction in unemployment is crucial for fostering a more inclusive and equitable society	4.009	.912
Investment in education and skills development has increased employability of the community members	4.012	.805
The promotion of innovation and entrepreneurship generates new job opportunities and contribute to economic growth	3.993	.805
The creation of flexible work arrangements improves labor market participation among community members	3.884	.921
Addressing structural inequalities, such as wage discrimination has led to sustainable unemployment reduction.	3.974	.852
Investment in water infrastructure, such as rainwater harvesting systems, desalination plants have promoted water access	4.054	.781
Drought-resistant and climate-adapted crops and agricultural practices can significantly improve livelihoods and food security in these areas.	4.080	.678
Communities in our county have access to energy sources such as solar, wind power and the national grid	4.022	.668
Improved transportation infrastructure connects communities to facilitate access to markets and services	4.118	.815
Investment in digital infrastructure bridges the digital divide, support remote learning and healthcare services	3.685	.916

The respondents agreed with a mean of 4.076 (Std. Deviation=0.794) that that the counties have been providing economic opportunities for community members. With a mean of 4.003 (Std. Deviation=0.723), the respondents generally agreed that access to education as a result of scholarships and bursaries has increased in the county since the start of devolution. These findings agree with Nasibi (2019) observation that access to education in South Africa was improved by use of scholarships and bursaries. As shown by a mean of 4.000 (Std. Deviation=0.931), the respondents agreed that healthcare service delivery has been increasing in the county since the start of devolution. With a mean of 3.996 (Std. Deviation=0.741), the respondents generally agreed that absolute poverty has been reducing in the county since the start of devolution. The findings agree with Gaitho (2021) observation that one of the goals of devolution was to reduce absolute poverty. With a mean of 3.926 (Std. Deviation=1.025), the respondents generally agreed that the county has managed to break the poverty cycle.

The respondents agreed that investment in education and skills development has increased employability. This is shown by a mean of 4.012 (Std. Deviation=0.805). With a mean of 4.009 (Std. Deviation=0.912), the respondents generally agreed that a significant reduction in unemployment is crucial for fostering a more inclusive and equitable society. As shown by a mean of 3.993 (Std. Deviation=0.805), the respondents generally agreed that the promotion of innovation and entrepreneurship generates new job opportunities and contributes to economic growth. With a mean of 3.974 (Std. Deviation=0.852), the respondents generally agreed that addressing structural inequalities, such as wage discrimination, has led to sustainable unemployment reduction. The respondents also agreed with a mean of 3.884 (Std. Deviation=0.921) that the creation of flexible work arrangements improves labor market participation.

The respondents agreed that improved transportation infrastructure facilitates access to markets and services as shown by a mean of 4.118 (Std. Deviation=0.815). With a mean of 4.080 (Std. Deviation=0.678), the respondents generally agreed that drought-resistant and climate-adapted crops and practices can improve livelihoods and food security. The also respondents agreed with a mean of 4.054 (Std. Deviation=0.781) that investment in water infrastructure has promoted water access. These findings agree with Mavridis (2018) findings that investment in water infrastructure was an important component in socio-economic development. With a mean of 4.022 (Std. Deviation=0.668), the respondents generally agreed that communities have access to various energy sources. As shown a mean of 3.685 (Std. Deviation=0.916), the respondents generally agreed that investment in digital infrastructure bridges the digital divide.

Inferential Statistics

Inferential statistics involves using sample data to make inferences or draw conclusions about a population. It allows researchers to generalize findings from a sample to a larger population, providing insights into relationships, trends, and predictions. Correlation and regression analysis are two commonly used techniques in inferential statistics.

Correlation Analysis

The results show that there is a significant positive correlation between fiscal structure and social transformation in the North Eastern region ($r = 0.573$, p-value < 0.001), suggesting that higher levels of fiscal structure correspond to greater social transformation. The relationship was statistically significant with a p-value of 0.000, indicating strong evidence against the null hypothesis. The findings are in line with Okotoni (2020) findings that fiscal federalism has a significant effect on service delivery. The findings also agree with Oluwole (2020) findings that there is a correlation between intergovernmental budgetary connections and Lagos state local government service performance.

Table 5: Correlation Results

		Social Transformation	Fiscal Structure
Social Transformation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	312	
Fiscal Structure	Pearson Correlation	.573**	1
	Sig. (2-tailed)	.000	
	N	312	312

Regression Analysis

Simple regression analysis was conducted to examine the relationship between fiscal structure and social transformation in the North Eastern region. As depicted in Table 6, the R-squared for the relationship between fiscal structure and social transformation was 0.610 which means that 61% of the variation of dependent variable (social transformation in the North Eastern region) was explained by fiscal structure.

Table 6: Model Summary for Fiscal Structure and Social Transformation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781[a]	.610	.325	.6432

a. Predictors: (Constant), Fiscal Structure

ANOVA was performed to determine if the model was good fit for the data. As shown in Table 7, the F-calculated was 484.423 and the F-critical from the F-distribution table was 2.705. Because the F-calculated was greater than F-critical and the p-value (0.000) was less than the significance level (0.05), the model was considered to be a good fit for the data. This implies that the model can be used in predicting the effect of fiscal structure on social transformation in the North Eastern region.

Table 7: ANOVA for Fiscal Structure and Social Transformation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.222	1	64.222	484.423	.000[b]
	Residual	41.098	310	0.133		
	Total	105.32	311			

a. Dependent Variable: Social Transformation

b. Predictors: (Constant), Fiscal Structure

Regression equation was;

$$\mathbf{Y = 0.576 + 0.333X_2}$$

As shown in Table 8, fiscal structure has a positive and significant effect on social transformation in the North Eastern region of Kenya ($\beta_2 = 0.333$, p-value = 0.000). The study found that for every unit increase in Fiscal Structure, there is an associated increase of 0.333 units in social transformation. The relationship was statistically significant because the p-value (0.000) was less than the significance level (0.05). The findings are in line with Angahar (2021) argument that intergovernmental financial relationships have an effect on local government service delivery in Nigeria.

Table 8: Regression Coefficients for Fiscal Structure and Social Transformation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.576	0.158		3.646	0.000
	Fiscal Structure	0.333	0.144	0.324	2.313	0.000

a. Dependent Variable: Social Transformation

CONCLUSIONS AND RECOMMENDATIONS

The study further concluded that fiscal structure has a positive and significant effect on social transformation in the North Eastern region of Kenya. The findings indicated that revenue collection powers, revenue allocation and borrowing powers influence social transformation. This means that an improvement in fiscal structure (revenue collection powers, revenue allocation and borrowing powers) leads to an improvement in social transformation in the North Eastern region of Kenya.

The study found that revenue allocation to local administrative units is perceived as equitable, with the system ensuring a fair distribution of resources. To sustain and further enhance this perception of equity, it is recommended that the county government regularly review and adjust the revenue allocation criteria. This proactive approach will help identify and address any emerging disparities or imbalances in resource distribution. By continuously refining the allocation system, the county government can ensure that resources are distributed fairly and effectively, addressing the needs of all administrative units and supporting balanced regional development. This will reinforce trust in the allocation process and promote equitable resource management.

The study found that social safety nets, including cash transfer programs, play a crucial role in mitigating poverty and supporting vulnerable populations. To build on this, the county government should enhance these safety nets by increasing both funding and support for cash transfer programs and other social assistance initiatives. Expanding financial resources and improving program management will strengthen the effectiveness of these programs, providing more substantial and reliable support to those in need. By doing so, the county government can more effectively address poverty, reduce inequality, and ensure that vulnerable groups receive the assistance they need to improve their quality of life.

Areas for Further Research

The general objective of this study was to investigate the influence of fiscal structure on social transformation in the North Eastern region in Kenya. However, the study focused on North Eastern region in Kenya and hence the findings cannot be applied to other regions in Kenya. As a result, this study recommends that more studies should be done to determine how fiscal structure influences social transformation in other regions in Kenya. Furthermore, the study found that fiscal structure can explain 61.0% of social transformation. As such, more studies should to be conducted to examine other factors that influence social transformation.

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