

STAKEHOLDER AWARENESS AND FINANCIAL ACCOUNTABILITY OF THE WARD DEVELOPMENT FUND IN MARSABIT COUNTY, KENYA

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ABSTRACT

Financial accountability is a critical component for advancing sustainability, ensuring efficient resource utilization, and fostering effective governance. The Ward Development Fund (WDF) is faced with challenges such as corruption and misappropriation of funds, low absorption of development funds. With statistics indicating that the percentage of unaccounted expenditures of WDF in Marsabit County is 47 percent, the study focused on the role of stakeholder awareness on financial accountability of WDF in Marsabit County. The study used a descriptive survey design. The study targeted Ward Administrators, Ward Development Committee members, County Government Finance and Planning Officers and community members from the 20 wards of Marsabit County. The study used Yamane's (1967) formula at 95 per cent confidence level to select a sample size of 105 respondents from the targeted population. The respondents selected included 97 who successfully completed the questionnaires giving a response rate of 92.4 per cent. The study used questionnaires administered on a five-point Likert scale to obtain quantitative data from the respondents. Cronbach Alpha for stakeholder awareness was 0.814. The study revealed that, the

composite mean for stakeholder awareness was 2.89 which falls on the moderate level of awareness. Although general awareness on the existence of WDF was high (Mean=3.82), awareness on access to WDF financial reports was in the low category (Mean=2.41) as well as awareness on accountability mechanisms (Mean=2.59). The study established that stakeholder awareness had a statistically significant positive effect on financial accountability of the WDF ($\beta = 0.584$, $t = 5.236$, $p < 0.001$; $r = 0.584$, $p < 0.01$). A one-unit increase in stakeholder awareness was associated with a 0.461-unit improvement in financial accountability. Thus, rejecting the null hypothesis. The study concluded that, the gap between awareness on the existence of a WDF and the lack of awareness on accountability mechanisms is the main accountability issue facing WDF in Marsabit County. The study recommends that community members should be sensitized through civic education forums at the level of the ward.

Key words: Stakeholder Awareness, Financial Accountability, Ward Development Fund, Marsabit County, Devolved Governance.

INTRODUCTION

Background of The Study

Financial accountability in public finance means the obligation of public officials to answer for the management of public resources in accordance with established laws and ethical standards (Public Finance Management, 2025). Reliable audit systems, anti-corruption frameworks, and transparent reporting are mechanisms that ensure this obligation is met. Where they are not enforced, fiscal leakages, social inequality, and misappropriation are normative outcomes (Garba, 2025).

The Ward Development Fund (WDF) scheme was instituted in Kenya in 2014 as part of the devolution agenda enshrined in the Constitution of Kenya (2010). Its constitutional basis is given by Article 174 which obligates the government to enhance citizen participation in statecraft and promote equitable distribution of national resources. Its practice is in the allocation of resources to all around 1,450 wards in Kenya for community development needs ranging from water to rural roads, which are planned, prioritized, and implemented by the Ward Development Committees (WDCs) (Dida, 2020).

Marsabit County is a compelling illustration of the challenges facing the WDF. With a poverty rate of 79.4 per cent against the national average of 36.1 per cent and a history of interethnic conflict, the county faces structural governance challenges that predate devolution (Guyo, 2023). The Office of the Auditor General (2022) highlighted the lack of adequate expenditure documentation and disclosure of project implementation frameworks in the devolved units in Marsabit County. The Ethics and Anticorruption Commission (2021) gave the county a below average rating on financial reporting and procurement transparency.

These shortcomings are not isolated incidents, for the Kenya Institute for Public Policy Research and Analysis (2022) observed that lack of awareness of the responsibilities by WDF stakeholders was a contributory factor to the poor financial accountability. A study by the Institute of Economic Affairs (IEA, 2023) found that while 85 per cent of citizens were aware of the existence of the WDF, only 21 per cent knew the cost of the projects that the fund finances, nor did they know who was financially responsible for them. The disconnect between awareness of the existence of the fund and an understanding of its governance is the issue this study seeks to address.

Statement of the Problem

Marsabit County ranked among the five worst performing counties in the 2024 Governance Perception Index on financial reporting consistency and public dissemination of development information (IEA, 2024). The Office of the Auditor General (2023) recorded that 47 per cent of WDF expenditures in the county were unaccounted for, compared to a national county average of 25 per cent. Poor financial management has translated into misused resources, abandoned projects,

and eroded public trust in devolved governance structures. As devolution recognizes that government roles have changed and that citizens are now central to governance, civil society organizations, together with citizens, are more involved in national and county governance. Research on financial accountability in Kenya's devolved funds has largely focused on county level budgeting and general citizen engagement. Few studies have isolated the specific contribution of stakeholder awareness, as distinct from participatory budgeting or governance structures, on WDF financial accountability in arid and marginalized counties. This study fills that gap by examining how the level of stakeholder awareness influences financial accountability of the WDF in Marsabit County.

Objective of the Study

To determine how the level of stakeholder awareness influences financial accountability of the Ward Development Fund in Marsabit County.

Research Hypothesis

H₀₁: Stakeholder awareness has no significant effect on the financial accountability of the Ward Development Fund in Marsabit County.

H_{a1}: Stakeholder awareness has a significant effect on the financial accountability of the Ward Development Fund in Marsabit County.

LITERATURE REVIEW

Theoretical Review

Three theories form the basis of this study. These are the Accountability Theory initially proposed by Tetlock and Lerner (1999) and later developed by Romzek and Dubnick in the field of public administration. The theory postulates that individuals who are required to justify their decisions to others are more likely to make thoughtful and better decisions. In relation to the WDF, the theory explains the rationale behind the need for checks and balances by those who have to answer to a specific entity in the implementation of financial accountability measures. Kenyan audit reports have shown that accountability is enhanced when there is a combination of public participation in decision making and effective follow up on the recommendations (Office of the Auditor General, 2022). It is in this regard that the Accountability Theory forms the basis of this study's dependent variable.

The Stakeholder Theory was pioneered by Freeman and advanced the idea that in addition to focusing on the needs of the shareholders, management has to consider the needs of all other stakeholders who have an interest in the organization's activities. Harrison et al. (2020) expound on the view that in considering the needs of the stakeholders, the organization has to focus on achieving a win-win outcome while promoting openness, mutuality, and a reciprocal approach to decision making. In relation to this research, the theory helps explain how the awareness of the

stakeholders of the existence of WDF and its accountability mechanisms promotes accountability. Gooyert et al. (2021) in their analysis of stakeholder participation in public governance conclude that stakeholder participation is a critical criterion for enhanced transparency and accountability. As such, the theory is applied in this study to provide a rationale for the inclusion of stakeholder awareness as a determinant of financial accountability.

The Agency Theory was pioneered by Jensen and Meckling (1976) and argues that since the agents who manage the affairs of the principals on their behalf do not act in the best interest of the principals but further their own agenda, there is a need for monitoring to prevent exploitation. In Marsabit county, the elected members of the Ward Development Committee and county finance officers constitute the agents who exist to serve the people of the county but further their own interests. The lack of public awareness of the existence of WDF and its accounting mechanisms promotes information asymmetry and reduces the public's ability to monitor the agents (Nyaga et al., 2021). Stakeholder awareness is, therefore, an aspect of the Agency Theory that this study engages to explain financial accountability.

Empirical Review

Ngugi and Njiru (2021) assessed the influence of public participation on financial accountability in Nairobi County through a descriptive study performed among finance officers, ward representatives, and community members. It was found that citizens who were knowledgeable about the budget process and development plans could detect misappropriations and challenge government officials to be answerable. However, the researchers did not separate the effect of the awareness component on financial accountability from the overall participation package, and their scope was limited to a single county, which may have different characteristics from Marsabit.

Gikonyo, Ndwiga, and Khaemba (2022) explored the relationship between stakeholder engagement and budget accountability in Meru and Nyeri counties. The analysis revealed that communities with better awareness of the timelines and contents of the county budget were better positioned to question how public funds were spent. The article used urban counties as a sample, which may be different from Marsabit in terms of access to information technologies. However, the research problem addressed by the authors is similar to the one posed for the current investigation, although their scope was smaller, being confined to two counties.

Otieno and Wambua (2020) analyzed citizen awareness and transparency in the utilization of the Constituency Development Fund in Machakos County. It was found that the absence of accessible reports on the use of the CDF donations constrained public accountability, while their availability increased scrutiny and reduced the scope for misappropriation. Although the CDF is a separate entity, the findings are applicable to the WDF in so far as both are subject to similar misappropriation risks. However, the authors did not analyze the impact of all categories of stakeholders and only focused on citizens. At the same time, the study's conclusion poses a

research question for the current study, which seeks to determine whether increased awareness reduces irregularities in the WDF spending.

Abebe and Mberengwa (2023) used a qualitative case study approach to examine the effect of public awareness on the budget process in rural Ethiopia. It was found that citizens who had access to and were knowledgeable about the development plans and the sources of public revenues could be more effective in ensuring that the budget was spent transparently. Again, the study provides indirect support for the current research question by showing the importance of awareness in the budget process in another African jurisdiction, albeit at the local level. However, Kenya and Ethiopia have different systems of governance and may follow different procedures in adopting, amending, or implementing the state budget.

Benaihia (2024) analyzed the influence of stakeholder engagement on the financial performance of Kenyan state-owned commercial enterprises. It was found that there was a positive association between the level of involvement of various stakeholders and the performance of these businesses. However, in this study, the author focused on how stakeholder engagement affected the financial growth of businesses, whereas the current study seeks to assess the influence of the same variable on public financial accountability.

RESEARCH METHODOLOGY

Research Design

A descriptive research design was adopted. This design allows gathering quantitative and qualitative data to describe the properties of the study variables and establish relationships between them without manipulating (Saunders et al., 2019). It was appropriate here because the study aimed to measure the level of stakeholder awareness and financial accountability and determine their statistical relationship.

Target Population and Sampling

The study population comprised all stakeholders involved in the management, planning and supervision of the WDF in the 20 wards of four constituencies (KNBS, 2015). The target population was 350 which included 20 Ward Administrators, 100 members of the Ward Development Committee, 30 County Government Finance and Planning Officers plus 200 community members who were participants of the ward development forums.

Using Yamane's (1967) formula at 95% confidence level and 5% margin of error, a sample size of 105 or 30% of the target population was calculated and used for the study. The sample size was distributed as follows; 6 Ward Administrators, 30 WDC members, 9 County Finance and Planning Officers and 60 community members using a stratified random sampling procedure.

Data Collection and Instrumentation

Primary data was gathered through the use of questionnaires. Each section of the questionnaire addressed one of the study variables and had five Likert scale items (1=Strongly Disagree, 5=Strongly Agree). Before collecting the main sample, a pilot study was undertaken and included 25 respondents (10 per cent of the targeted sample size) to obtain preliminary results and evaluate the clarity of the instructions. The respondents who took part in the pilot study were excluded from the main database. The instruments passed the test of content validity since they were approved by finance experts and public policy specialists. The internal consistency of items in each section was evaluated by Cronbach's Alpha, with 0.7 being the minimum (Tavakol and Dennick, 2011).

Data Analysis

The quantitative data were analyzed using SPSS version 29. Initial descriptive statistical data including frequencies, mean, and standard deviation were generated for each variable. The statistical analysis also involved calculating the Pearson's product moment correlation coefficient for each pair of variables. A simple linear regression analysis was performed to predict the extent to which the independent variable could predict the dependent variable. The theoretical model of the simple linear regression analysis is provided below:

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

Where Y is the dependent variable of financial accountability, while X_1 stand for stakeholder awareness. On the other hand, β_0 is the regression constant while β_1 is the regression coefficients of the independent variable. Finally, ε stands for the error term of the model.

Prior to conducting the regression analysis, a Shapiro Wilk test, VIF test, Breusch Pagan test, and the Durbin Watson statistic were used to examine the possibility of normality, multicollinearity, heteroscedasticity, and autocorrelation respectively.

RESEARCH FINDINGS AND DISCUSSION

Response Rate

From the 105 questionnaires distributed in Saku, Laisamis, Moyale and North Horr sub counties 97 questionnaires were returned filled appropriately which is a 92.4% response rate. Eight questionnaires were excluded from the study because of incomplete responses; five questionnaires were excluded from community members and two questionnaires were excluded from WDC members. The 92.4% response rate is a higher percentage than the minimum 50% required for quantitative studies (Mugenda and Mugenda, 2019). The high response rate can be attributed to the researcher's physical presence while collecting the data, and the use of NACOSTI research permits and Kenyatta University introduction letters. Table 1 presents the distribution.

Table 1: Response Rate by Respondent Category

Respondent Category	Targeted	Returned	Unreturned	Response Rate (%)
Ward Administrators	6	6	0	100.0
WDC Members	30	28	2	93.3
County Finance and Planning Officers	9	8	1	88.9
Community Members	60	55	5	91.7
Total	105	97	8	92.4

Source: Research Data (2026)

Demographic Characteristics

Male respondents were 70.1 per cent ($n = 68$) while female respondents were 29.9 per cent ($n = 29$). This is an indication that male members have dominated the wards' level decision making forums in Marsabit County which has been the case according to both Adano (2023) and Halake (2021). The age bracket of 35 to 44 years was the most represented (39.2%) ($n = 38$), followed by the 45 to 54 years age bracket (25.8%) ($n = 25$). This is an indication that respondents were in the working age bracket and therefore contributed to the decision-making forums in their wards regarding WDF. In terms of the level of education, Bachelor's degree holders were the most educated with 32 per cent ($n = 31$), followed by certificate and diploma with 27.8 per cent ($n = 27$). However, only 8.2 per cent of the respondents had primary education. In terms of the relationship with the WDF, community members were the most represented (56.7%) ($n = 55$), followed by the WDC members with 28.9 per cent ($n = 28$).

Reliability of Research Instruments

Cronbach's Alpha analysis results for the variables were analyzed. Each variables scored higher than the minimum threshold value of 0.7. The stakeholder awareness construct was 0.814 and the financial accountability score reaching 0.836. Overall, the instrument had a score of 0.825, suggesting that it had a high internal consistency level (Tavakol and Dennick, 2021). This is illustrated as in Table 2.

Table 2: Cronbach's Alpha Reliability Statistics

Variable	No. of Items	Cronbach's Alpha
Level of Stakeholder Awareness (X_1)	4	0.814
Financial Accountability (Y)	5	0.836
Overall Instrument	9	0.825

Source: Research Data (2026)

Descriptive Statistics for Stakeholder Awareness

Respondents were asked to rate their awareness of WDF operations using four statements on a five-point Likert scale. Table 3 below shows the results.

Table 3: Descriptive Statistics for Level of Stakeholder Awareness (X_i)

Statement	N	Mean	Std. Dev.	Interpretation
I am aware of the existence of the WDF in my ward.	97	3.82	0.921	High
I regularly receive information about WDF allocations and expenditures.	97	2.74	1.043	Moderate
WDF financial reports are accessible to the public in my ward.	97	2.41	1.124	Low
I understand the mechanisms used to ensure financial accountability of WDF resources.	97	2.59	1.087	Low
Composite Mean	97	2.89	1.044	Moderate

Source: Research Data (2026)

At 2.89 (SD = 1.044), the composite mean is indicative of a moderate level of stakeholder awareness of the WDF. While the overall picture is one of limited comprehension, the trend within the construct is even more telling, with most respondents familiar with the existence of the WDF (Mean = 3.82, SD = 0.921), yet poorly informed on its operation: regular information on allocations (Mean = 2.74), accessibility of public financial reports (Mean = 2.41) and accountability mechanisms (Mean = 2.59). The data point to a situation in which the community is aware of the WDF's existence, but ill-informed on the mechanisms by which they can hold its administrators accountable. Abdi (2025) refers to this knowledge gap as an accountability vacuum: the general understanding of the WDF's existence is divorced from the practical know how necessary for its oversight. The IEA (2023) found similar awareness challenges at a national level, with only 21 per cent of citizens who know about the devolved funds able to identify financial accountability actors.

Descriptive Statistics for Financial Accountability

Table 4 presents descriptive results for the dependent variable.

Table 4: Descriptive Statistics for Financial Accountability (Y)

Statement	N	Mean	Std. Dev.	Interpretation
WDF financial reports are timely and consistent.	97	2.11	1.037	Low
Independent audits are conducted regularly on WDF expenditures.	97	2.28	1.054	Low
Audit recommendations are implemented in WDF operations.	97	2.09	1.018	Low
Communities have access to information about WDF allocations and expenditures.	97	2.31	1.072	Low
Oversight mechanisms prevent misuse of WDF resources.	97	2.17	1.049	Low
Composite Mean	97	2.19	1.046	Low

Source: Research Data (2026)

Financial accountability recorded the lowest composite mean among all the study variables with a mean of 2.19 (SD = 1.046). Every item fell within the low range. Audit recommendation implementation was rated the lowest with a score of 2.09 which is aligned with the Auditor General's 2023/2024 report which revealed that there are widespread failures to act on audit recommendations in county governments including Marsabit. Timely financial reporting had a composite score of 2.11 which is in tandem with the findings of Kenya Devolution Support Programme (2024) which noted that poor records management and timely submission of reports resulted in the withdrawal of conditional grants from several counties. Collectively, the above scores indicate that the problems in financial accountability in Marsabit County are not isolated occurrences.

Diagnostic Tests

All four diagnostic tests indicated that the assumptions underlying the regression model had been met. Shapiro Wilk test results for all variables were higher than 0.05, which suggests that all variables were normally distributed. VIF values ranged between 1.469 and 1.555, eliminating the possibility of severe multicollinearity, as recommended by Hair et al. (2018) with a threshold of 10, and tolerance values ranged from 0.643 to 0.681. The Breusch Pagan test result was $p = 0.279$, which suggested that the variance of errors was homoscedastic, and the value of the Durbin Watson test was 1.943, which suggests no significant autocorrelation of residuals. Therefore, the regression model was valid for analysis.

Correlation Analysis

Table 5 below represents Pearson's correlation coefficient between stakeholder awareness and financial accountability.

Table 5: Pearson's Correlation Matrix

Variable	Financial Accountability (Y)	Stakeholder Awareness (X ₁)
Financial Accountability (Y)	1.000	
Stakeholder Awareness (X ₁)	.584**	1.000

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

Source: Research Data (2026)

From the analysis, it was revealed that stakeholder awareness had a positive and significant relationship with financial accountability ($r = 0.584$, $p < 0.01$). The association was moderate and positive, which implies that the higher the stakeholder awareness, the higher the level of financial accountability wards experienced.

Simple Linear Regression Analysis

Tables 6, 7, and 8 present the regression output for the effect of stakeholder awareness on financial accountability.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.584a	.341	.334	.4512

a. Predictor: (Constant), Stakeholder Awareness (X₁).

Source: Research Data (2026)

Table 7: Analysis of Variance (ANOVA)

Source	Sum of Squares	Df	Mean Square	F	Sig.
Regression	10.186	1	10.186	50.043	.000b
Residual	19.673	95	0.207		
Total	29.859	96			

b. Dependent Variable: Financial Accountability (Y).

Source: Research Data (2026)

Table 8: Regression Coefficients

Predictor	B	Std. Error	B	t	Sig.
(Constant)	0.847	0.261		3.245	.002
Stakeholder Awareness (X ₁)	0.461	0.088	0.584	5.236	.000

Dependent Variable: Financial Accountability (Y).

Source: Research Data (2026)

The model was statistically significant [$F(1, 95) = 50.043, p < 0.001$], and stakeholder awareness explained 34.1 per cent of the variance in financial accountability ($R^2 = 0.341$). The regression coefficient was positive and significant ($\beta = 0.584, t = 5.236, p < 0.001$), indicating that a one-unit increase in stakeholder awareness is associated with a 0.461-unit improvement in financial accountability. The estimated model was:

$$Y = 0.847 + 0.461X_1 + \varepsilon$$

H_{01} was therefore rejected at the 0.001 significance level.

RESEARCH DISCUSSION

Effect of Stakeholder Awareness on Financial Accountability

Stakeholder awareness exerted a statistically significant positive influence on WDF financial accountability ($\beta = 0.294, p < 0.001; r = 0.584, p < 0.01$). For every unit increase in functional knowledge of the WDF stakeholders, in terms of understanding its allocation mechanisms, accessibility of its reports, and mechanisms of accountability, there is an increase in financial accountability outcomes.

The paradox lies in the descriptive results; while general awareness of the fund's existence is relatively high, the survey results indicate that respondents lack actionable information: accessibility to financial reports, accountability mechanisms, and remedies for mismanagement. It is at the level of specific financial accountability knowledge that the WDF falls short, with scores in the bottom third for these indicators. Literature demonstrates that this gap has negative consequences for the accountability practices of the citizens. In Nairobi County, for instance, Ngungi and Njiru (2021) found that awareness of the budget process is a critical predictor of the likelihood that ordinary citizens will detect any misappropriation of funds. It is not awareness of the fund's existence that contributes to accountability outcomes but rather the type of functional civic knowledge identified by Abdi (2025) that empowers communities.

The situation in Marsabit is more acute due to its remoteness, low literacy levels, and lack of media apparatuses to effect wide dissemination of public information compared to urban centers (Lemaletian, 2024). Not only does the area have limited access to information, but it lacks the infrastructure to participate in the existing accountability mechanisms, such as the ward forums. Unless the citizens of Laisamis or North Horr are willing and able to travel to the distant capital, their ability to exercise accountability is limited. The IEA's (2023) finding that a large proportion of citizens knew about devolved funds but could not state who is answerable for their stewardship sheds light on the issue: it is not a lack of general awareness about the WDF, but rather a deficiency in specific financial accountability knowledge.

The results of the regression analysis imply that an increase in the level of awareness will have a positive impact on financial accountability outcomes. However, the means through which this can be achieved is the subject of the next set of recommendations.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

H₀₁ was rejected; stakeholder awareness had a significant positive effect on the WDF financial accountability in Marsabit county ($\beta = 0.584$, $t = 5.236$, $p < 0.001$; $r = 0.584$, $p < 0.01$). The results were both statistically and theoretically significant. The study's findings were consistent with the accountability theory, stakeholder theory, and agency theory.

More importantly, the results indicate that the type of awareness is different. Whereas most stakeholders had heard of the existence of WDF, very few knew where to get information on the releases, accountability mechanisms, and remedies in case of mismanagement. Awareness about the existence of WDF alone was not a significant predictor of financial accountability. As a result, there is a need to promote civic education aimed at sensitizing the communities on WDF functions and not just information about their existence.

A closer look at Table 5 below shows that stakeholder awareness accounted for 34.1 per cent of the variance in financial accountability ($R^2 = 0.341$). The issues of accountability in Marsabit cannot be resolved by just addressing the resources and administrative problems. The intervention needs to target the challenges in stakeholder engagement, of which lack of awareness is just one component. Marsabit's relative isolation, ethnic and cultural diversity, and low literacy levels compared to other regions in Kenya are some of the issues that lower the accountability levels in the region (Lemaletian, 2024).

Recommendations

The County Government of Marsabit should take responsibility for a civic education programme that covers all 20 wards, and which makes a clear distinction between general fund awareness

(which appears to be reasonably high) and knowledge about the process that renders oversight possible: how WDF budgets are formulated; what the published financial statements say; where they are published; and what avenues for reporting malfeasance (formal and informal) exist. Communities in Laisamis and North Horr, which are less able to attend meetings due to the distance and their livelihoods, should be educated through community radio and translated printed materials.

Research should be conducted in two directions. One would be to conduct a longitudinal study to determine if the increases in awareness generated by civic education interventions have an observable impact on the level of financial accountability in subsequent county councils. Another avenue of research would test the extent to which the findings from Marsabit apply to other counties with similar governance deficits, but located in different ecological zones (pastoral and urban). A question that has yet to be addressed is the role played by political will and ethnic tensions in the accountability nexus.

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