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Effect of Revenue Forecasting on Budget Absorption in The County Government of Nakuru

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ABSTRACT: *Budget absorption has been a major challenges facing the county government of Nakuru. As per the approved County Budget Review and Outlook 2020; in FY 2019/20, the County had an approved estimate of 21.9 billion but absorbed only 67 percent while as per CBROP FY 2016/2017, 2017/2018, 2018/2019, 2020/2021 the County Government of Nakuru failed to absorb/spend Ksh 3.1B, 4.7B, 5.9B, 6.64B depicting a budget absorption rate of 79%, 71%, 68%, 68% respectively therefore the study sought to assess the effect of revenue forecasting on budget absorption in the county government of Nakuru. The target population was 114 respondents who entailed chief officers in County treasury, directors in County treasury, County treasury staff, accounting officers from County entities/department, accountants from County departments, economist from County departments, sub County administrators, staff from County assembly who participate in budgeting and members of County budget and economic forum. Considering the target population is small the researcher used census technique to incorporate all the 114 targeted respondents. Questionnaire was used to collect the primary data desirable for the study. Reliability of the study instruments were determined by conducting a pilot test in Kericho County Government whereby 11 questionnaires were issued to chief /accounting officers in the County. Data that were gathered in this study were quantitative in nature. Descriptive and inferential statistics were employed in the study. Descriptive statistics involved the use of percentages, frequencies mean and standard deviation. Inferential statistic involved the use of correlation analysis to establish the nature of the relationship between variables. After analysis data was presented in form of table. From the analysis the study concluded that there is a positive and statistically significant correlation between revenue forecasting($r = 0.441$; $p < 0.05$) on the budget absorption in the County Government of Nakuru. The study recommended that the County Government of Nakuru should improve revenue forecasting methodologies by considering historical trends, economic indicators, and specific factors relevant to Nakuru County.*

Keywords: *Revenue Forecasting, Budget Absorption, County Government of Nakuru*

I. INTRODUCTION

Budget absorption refers to the extent to which allocated funds are utilized for their intended purposes, to achieve national economic and social objectives. Nakitare (2018) emphasizes the importance of budget absorption, especially in the public sector, as it contributes to the attainment of specific goals such as employment, food security, and poverty reduction. While there is debate on the relationship between high budget absorption and economic growth, it is agreed that low budget absorption can hinder national growth strategies. The effective use of funds is crucial for successful implementation of development projects and it is important to assess the ability of public agencies to absorb budget resources, as it supports the development goals of the agency, department, ministry and the nation as a whole.

Byamugisha and Basheka (2016) emphasize that, like in any other country, citizens in Uganda expect improved services from both the Government and private sector. This requires investment in both physical and technological infrastructure. The success of these developments depends on how quickly budgeted monies are utilized. Misallocation of funds from the national Government to County Governments in Kenya, according to Owuor (2018) impacted the performance of important Government tasks like procurement. Budget absorption has been measured similarly in various studies; for example, Nakitare (2018) and Kipkirui (2020) measured it using the ratio of total expenditure to total budget.

Siegel and Allison (2015) pointed out that the budget is a blueprint for the County Government's performance. When the budget is properly absorbed into planned projects, it instills discipline and makes planning a crucial performance responsibility. Prudent planning is necessary for effective utilization of the budget. Improved performance can be achieved through adoption of Government frameworks, budget participation, communication, performance evaluation, and motivation (Kenis, 2018). Additionally, budget participation allows budget users to plan for challenging yet achievable tasks (Chong & Johnson, 2017).

In Sweden, one of the major challenges facing budgetary absorption is the high level of Government debt. According to the Swedish National Debt Office, the central Government debt stood at SEK 1.2 trillion at the end of 2020 (Swedish

National Debt Office, 2021). While Sweden has a strong economy, it also has a significant level of public debt, which can limit the funds available for investment and development. The need to service this debt also impact budgetary absorption rates, as it reduces the resources available for other spending priorities. Sweden has a highly decentralized system of Government, which make it difficult to coordinate spending priorities across different levels of Government. Additionally, the budgetary process is time-consuming and cumbersome, leading to delays and inefficiencies that can impact budgetary absorption rates (Fritzell et al., 2019).

Despite these challenges, Sweden has implemented several strategies to improve budgetary absorption rates. One approach is to prioritize investments in key areas, such as infrastructure and innovation, that have a high potential for economic growth and development. This helps ensure that resources are allocated to projects that have the greatest impact on the economy (Swedish Government, 2020). Sweden has also implemented policies that promote efficiency and reduce waste in Government spending through streamlining administrative processes, reducing bureaucratic red tape, and improving coordination between different levels of Government (Swedish Agency for Public Management, 2019). Finally, Sweden has also implemented measures to promote transparency and accountability in budgetary processes through public disclosure of budgetary information, regular audits, and the establishment of independent oversight bodies to monitor the use of funds (OECD, 2018).

In Nigeria, budgetary absorption is facing major challenges. Nigeria has a long history of corruption, which has impacted budgetary absorption rates by diverting funds away from intended projects or reducing the efficiency of Government spending. The Nigerian Government has implemented several measures to address corruption, including the establishment of anti-corruption agencies and the implementation of anti-corruption policies (Ekeh, 2020). However, corruption remains a significant challenge that can impact budgetary absorption rates. Another issue is the country's high level of debt. According to the Nigerian Debt Management Office, the country's total debt stood at ₦32.9 trillion ($86.4 billion) at the end of 2020 (Nigerian Debt Management Office, 2021). This high level of debt limits the funds available for investment and development, which can impact budgetary absorption rates.

Nigeria has implemented several strategies to improve budgetary absorption rates such as prioritizing investments in key areas, such as infrastructure and social programs, which have a high potential for economic growth and development (Adewole & Adelakun, 2020). Improving transparency and accountability in budgetary processes including the implementation of an Integrated Financial Management Information System (IFMIS) that allows for the electronic tracking of Government spending (Olayiwola & Adegoke, 2018). The country has also implemented measures to streamline the budgetary process and reduce bureaucratic red tape such as simplifying administrative processes and improving coordination between different levels of Government (Bulus & Lawal, 2020).

In Kenya, one of the significant challenges facing budgetary absorption is corruption. Corruption can have a considerable impact on the allocation of resources, resulting in the diversion of funds from intended projects, poor-quality services, and reduced efficiency in Government spending (Wandera & Njuguna, 2017). To address corruption, Kenya has put in place measures such as the creation of the Ethics and Anti-Corruption Commission (EACC) and the establishment of the Public Procurement Oversight Authority (PPOA) to ensure transparency and accountability in public procurement processes. However, corruption remains a significant challenge that limits the absorption of the budget.

Another challenge facing budgetary absorption in Kenya is the limited capacity of implementing agencies. Some agencies lack the technical capacity, skills, and experience to execute projects efficiently, leading to delays and cost overruns. For instance, the Auditor General's report for the financial year 2019/2020 revealed that over Ksh. 54 billion in development funds remained undisbursed, with some projects delayed for several years due to poor capacity among implementing agencies (Republic of Kenya, 2020). This highlights the need to strengthen the capacity of implementing agencies to improve budgetary absorption rates. The limited revenue base is also a significant challenge that affects budgetary absorption in Kenya.

The Government's ability to absorb budgets effectively is limited by the amount of revenue it generates. According to the World Bank, Kenya's tax-to-GDP ratio is one of the lowest in the region, which limits the funds available for investment and development (World Bank, 2020). This makes it difficult to finance critical projects, such as infrastructure and social programs, which can have a significant impact on economic growth and development. Inadequate coordination between Government agencies is another challenge that affects budgetary absorption in Kenya. Government agencies often work in silos, resulting in duplication of efforts, misalignment of priorities, and inadequate sharing of information. This can result in inefficiencies, delays, and cost overruns, which can limit the absorption of budgets. To address this challenge, there is a need for improved coordination and collaboration among Government agencies.

According to the County Government of Nakuru's Annual Development Plan 2019/2020, the County Government allocated Ksh. 8.8 billion for development projects during the 2019/2020 financial year. However, by the end of the financial year, only Ksh. 4.1 billion had been absorbed, representing a 46.6 percent absorption rate. This indicates that the County Government was not able to utilize a significant portion of the allocated funds within the given financial year (County Government of Nakuru, 2019) therefore the study sought to assess the effect of revenue forecasting on budget absorption in the County Government of Nakuru.

II. LITERATURE REVIEW

Resource Allocation Theory

The study was anchored on the resource allocation theory and expenditure theory. Resource allocation theory was developed by Margaret, Peteraf, Jay & Barney. Resource allocation theory is a concept in economics and management that addresses the distribution and utilization of resources within organizations or systems. At its core, this theory posits that resources, whether they be financial, human, or physical, are limited and must be allocated in a manner that maximizes efficiency and effectiveness (Maritan, & Lee, 2017). The theory emphasizes the importance of making strategic decisions about how to allocate resources based on priorities, objectives, and constraints. It suggests that organizations must carefully assess their needs, set clear goals, and allocate resources accordingly to achieve optimal outcomes.

Central to resource allocation theory is the recognition that different resources have varying levels of scarcity and importance. Organizations must prioritize resource allocation based on factors such as cost, value, opportunity cost, and potential return on investment. This requires careful planning, analysis, and decision-making to ensure that resources are allocated to activities or projects that generate the highest possible benefits or contribute most to organizational objectives. Additionally, the theory acknowledges the dynamic nature of resource allocation, as priorities, needs, and external conditions may change over time, requiring adjustments and reallocation of resources (Anantadjaya, 2008).

Critiques of resource allocation theory primarily revolve around its assumptions and limitations. Some argue that the theory oversimplifies the complexity of resource allocation processes by assuming rational decision-making and perfect information, which may not always hold true in real-world contexts. Critics also highlight the challenge of accurately assessing the value and impact of different resource allocation decisions, as outcomes are often uncertain and influenced by various factors beyond control. Additionally, there are concerns about the potential for resource misallocation or inefficiency, particularly when decision-makers prioritize short-term gains over long-term sustainability or fail to consider the broader implications of resource allocation decisions (Fossett & Matthews, 2004).

Despite its critiques, resource allocation theory remains relevant and valuable in explaining the effect of revenue forecasting on budget absorption in the County Government of Nakuru. Revenue forecasting plays a crucial role in the budgeting process, as it informs decision-makers about the expected inflows of revenue and helps determine how resources should be allocated across different sectors or programs. By applying Resource Allocation theory, the County Government of Nakuru can prioritize resource allocation based on revenue forecasts, ensuring that scarce resources are allocated to areas with the greatest need or potential for impact. This may involve allocating additional resources to priority sectors such as education, healthcare, or infrastructure, based on projected revenue streams and community needs. Moreover, Resource Allocation theory can guide decision-makers in making strategic trade-offs and adjustments to budget allocations in response to changes in revenue projections or external factors, helping to optimize the absorption and utilization of budgetary resources for the benefit of the county and its residents.

Expenditure Theory

Expenditure theory was developed by Rubin (1990). Expenditure theory, also known as consumption theory or spending theory, is a fundamental concept in economics that explores the patterns and determinants of how individuals, households, businesses, and governments allocate their financial resources to purchase goods and services. At its core, expenditure theory seeks to understand the factors influencing the level and composition of spending within an economy and its implications for economic growth, inflation, and overall welfare. The theory posits that expenditure decisions are driven by a combination of economic, social, psychological, and institutional factors, which shape individuals' preferences, constraints, and behavior in the marketplace. (Posner & Blondal, 2012).

Critiques of expenditure theory encompass various aspects of its assumptions, limitations, and applicability to real-world economic phenomena. One prominent critique revolves around the assumption of rational decision-making by economic agents, particularly consumers and businesses. Critics argue that individuals may not always make spending decisions based on utility maximization and perfect information. Instead, factors such as bounded rationality, cognitive biases, and emotional influences may lead to suboptimal spending patterns, where individuals make decisions that deviate from traditional economic models.

Expenditure theory is highly relevant in explaining the effect of revenue forecasting on budget absorption in the County Government of Nakuru. Revenue forecasting is a critical aspect of budgetary planning, as it provides insights into the expected inflows of revenue that the government can allocate towards various expenditure priorities. Expenditure theory helps elucidate how revenue forecasts influence budget absorption, which refers to the extent to which budgeted funds are actually utilized or absorbed by government expenditures.

Revenue Forecasting on Budget Absorption of County Government

Efficiency in revenue focus refers to how well the Government can manage its resources to minimize costs and maximize revenue. A more efficient revenue focus helps to reduce the cost of collecting revenue, which increases the amount of revenue available for budget absorption. An efficient revenue focus allows the Government to allocate more funds towards development projects, which can have a positive impact on the economy. Effectiveness in revenue focus refers to how well the Government can generate revenue from various sources. An effective revenue focus ensures that the Government can collect revenue from various sources, including taxes, fees, and other revenue-generating activities. A more effective revenue focus increases the amount of revenue available for budget absorption, which can help to finance various projects.

Revenue forecasting on budget absorption refers to the strategies and measures taken by Governments to increase revenue collection and improve budget absorption. The revenue focus approach emphasizes the need for Governments to prioritize revenue generation and ensure that funds allocated for development projects are utilized efficiently and effectively (Osei-Assibey & Ansah, 2019). According to the International Monetary Fund (IMF) (2020), revenue focus is critical for ensuring that Governments have the necessary resources to finance development projects and provide essential public services. Revenue focus also helps to reduce dependency on external financing, which can be unpredictable and costly.

Mithamo, Gioko and Njoroge (2022) conducted a study on the effect of revenue collection on the budgetary performance of the County Government of Kirinyaga. A descriptive survey research design was used in the study. Purposive sampling was used in selecting participants from the 20 wards in Kirinyaga County. The respondents comprised of 83 participants. The primary data collection instrument used in the study was a questionnaire that contained open ended and closed questions, while financial and budget reports from the County Government and office of the Auditor General for financial years 2017/2018 and 2018/2019 were used as secondary data sources. A pilot study was also be carried out at the Kirinyaga County Government main office involving five participants to determine the questionnaire's validity and reliability in answering the research questions. Quantitative data was analyzed using SPSS version 22.0 software, while content analysis was used to analyze qualitative data. Inferential statistics in the form of multiple regression and paired t-tests, and descriptive statistics were used to analyze the data. The results were presented in the form of tables and graphs. The findings of the study revealed that revenue collection had a positive and significant effect on budgetary performance of County Government of Kirinyaga.

III. METHODOLOGY

The study adopted descriptive research design. The target population was 3 chief officers in County treasury, 7 directors in County treasury, 20 County treasury staff, 14 accounting officers from County entities/department, 28 accountants from County entities /departments, 15 economists from County entities/departments, 11 Sub-County administrators, 6 staff from County assembly who participate in budgeting and 10 members of County budget and economic forum. Thus, the total target population was 114 participants. Considering the target population is small the researcher used census technique to incorporate all the 114 targeted respondents. The study collected both primary and secondary data. Questionnaire was used to collect the primary data desirable for the study. Secondary was collected from the County audited reports and auditor general reports on the Governmental performance of the County. Using a data collecting sheet, secondary data was gathered. Content validity was verified by the expert and supervisor opinions. The reliability of the study instruments was determined by conducting a pilot test in Kericho County Government whereby 11 questionnaires were issued out to officers in the County treasury. An internal consistency technique was adopted by utilization of Cronbach's Alpha. Internal consistency reliability is a measure of reliability employed in evaluating the level by which various test items that probe the same construct produce similar results. The study used both descriptive and inferential statistics. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Inferential statistic involves the use of simple bivariate correlation analysis to establish the nature of the relationship between a single independent variable and the dependent variable. After analysis data was presented in form of a tables.

IV. RESULTS

Gender of the Respondents

The respondents were requested to indicate the gender distribution of the respondents.

Table 1: Gender of the Respondents

Gender	Frequency	Percentage
Female	43	45
Male	52	55
Total	95	100

Source: Research Data (2023)

From the findings 45% of the respondents were female while 55% of the respondents were male. This implies that majority of the respondents were male who were involved in budgeting in County Government of Nakuru. According to Budlender and Hewitt, (2017) integrating a gender perspective in budgeting ensures that resources are allocated in a way that considers the specific needs and priorities of investment

Lengthy of Service in County Government of Nakuru

The respondents were requested to indicate the duration they have been working in County Government of Nakuru. The findings were as indicated in Table 2

Table 2: Lengthy of Service in County Government of Nakuru

Years	Frequency	Percentage
2 Years and below	8	8
3-5 Years	15	16
6-8 Years	29	31
9-10 Years	43	45
Total	**95**	**100**

Source: Research Data (2023)

From the 8% of the respondents stated\ they have been working in County Government of Nakuru for a period of 2 years and below, 15% have been working in County Government of Nakuru for 3-5 years, 31% have been working in County Government of Nakuru 6-8 years while 45% have been working in County Government of Nakuru for 9-10 years. The level of experience determines the expertise of employees in the public sectors. More experienced public servants serve as mentors to newer employees, transferring institutional knowledge, best practices, and lessons learned. This knowledge transfer helps maintain continuity in Government operations and prevents the loss of valuable insights and expertise when experienced employees retire or move on.

Revenue Forecasting on Budget Absorption

The study also sought to assess the effect of revenue forecasting on budget absorption in the County Government of Nakuru. Table 3

Table 3: Revenue Forecasting on Budget Absorption

Statements on Revenue Forecasting	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std
A focus on revenue effectively helps County Government to better allocate their resources.	49	39	10	2	0	4.351	.767
The County Government effectively utilizes revenue by providing better services to its citizens	22	30	48	0	0	4.345	.692
Realistic revenue forecast/targets enhance budget credibility of the County Government	68	42	0	0	0	4.273	.689
By diversifying revenue sources and ensuring efficient use of funds, the County Government manages its finances better and avoid over-reliance on a single revenue source	36	64	0	0	0	4.604	.670
Exploring and utilizing new revenue streams helps the County Government to expand its revenue base, which in turn increases its financial resources for development projects ad service delivery.	49	42	0	0	0	3.873	1.037

Source: Research Data (2023)

According to the findings, the majority of respondents strongly agreed that a focus on revenue effectively helps County Government to better allocate their resources (mean=4.351, SD=0.767). In addition, majority of the respondents agreed that the County Government effectively utilizes revenue by providing better services to its citizens (mean=4.345, SD=0.692). The study findings are in line with those of Chen and Shum, (2019) who found that sensitivity analysis allows County Governments to evaluate various resource allocation scenarios. By considering different combinations of funding levels and allocation strategies, Governments can analyze the potential outcomes on budget absorption. This analysis helps identify the most effective allocation options and supports decision-making that maximizes the utilization of available resources.

Similarly, the majority of respondents (mean=4.273, SD=0.689) agreed that realistic revenue forecast/targets enhance budget credibility of the County Government. Furthermore, the majority of respondents (mean=4.604, SD=0.670) agreed that by diversifying revenue sources and ensuring efficient use of funds, the County Government manages its finances better and avoid over-reliance on a single revenue source, the study findings are in line with those of (Mishra, Lin, & Zhang, 2019). Who found that historical trend analysis allows County Governments to understand revenue patterns over time. By examining historical data, Governments can identify recurring patterns, seasonal fluctuations, and long-term trends in revenue generation. This understanding provides a foundation for projecting future revenue growth and enables Governments to make informed decisions regarding resource allocation and budget planning.

Moreover, majority of the respondents agreed that exploring and utilizing new revenue streams helps the County Government to expand its revenue base, which in turn increases its financial resources for development projects ad service delivery (mean=3.873, SD=1.037). The findings concur with Kuran, (2016) study which found that diversifying revenue sources allows County Governments to reduce their reliance on a single source of revenue, such as taxes or grants. Relying heavily on a single source increases the vulnerability of the budget to fluctuations and uncertainties associated with that particular revenue stream. By diversifying revenue sources, Governments can mitigate risks and ensure a more stable and consistent flow of funds, enhancing their ability to absorb and utilize budgets effectively.

Budget Absorption

The respondents were asked to indicate their level of agreement on the budget absorption of County Government of Nakuru. The findings are presented in Table 4.

Table 4: Budget Absorption

Budget Absorption	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std
Delay in approval of County budget does not necessarily affects budget absorption	0	0	5	40	55	4.210	0.908
The County Government attains its revenue targets in a financial year which has led to improved budget performance.	0	0	51	49	0	3.258	0.886
The County projects are implemented within the budgetary provisions or allocations.	0	44	37	22	0	4.103	0.557
The County projects are implemented within the budgetary expected completion date.	0	0	22	38	40	2.145	0.807
Development expenditure always has a high execution rate as opposed to recurrent expenditure hence contributing to higher budget absorption rate	0	0	0	57	43	2.463	0.608
Program based budgeting leads to high budget execution rate	3	44	53	0	0	3.452	0.592

Source: Research Data (2023)

According to the findings majority of the respondents disagreed that delay in approval of County budget does not necessarily affects budget absorption with a mean of 4.210 and a standard deviation of 0.908. Majority of the respondents also disagreed that the County Government attains its revenue targets in a financial year which has led to improved budget performance with a mean of 3.258 and a standard deviation of 0.886. Majority of the respondents also disagreed that the County projects are implemented within the budgetary provisions or allocations with a mean of 4.103 and a standard deviation of 0.557. According to Wang, Yang, and Chen, (2020) timely project delivery helps optimize the use of resources, including financial, human, and material resources. When projects are completed within the scheduled time frame, it minimizes the risk of cost overruns, reduces unnecessary expenditures, and allows resources to be reallocated to other priority projects or initiatives.

In addition, majority of the respondents disagreed that the County projects are implemented within the budgetary expected completion date with a mean of 2.145 and a standard deviation of 0.807. Additionally, majority of the respondents disagreed that development expenditure always has a high execution rate as opposed to recurrent expenditure hence contributing to higher budget absorption rate with a mean of 2.463 and a standard deviation of 0.608. Further majority of the respondents disagreed that program-based budgeting leads to high budget execution rate with a mean of 3.452 and a standard deviation of 0.592. According to Mullins, Klassen, and Spendlove, (2018), development projects are usually highly visible and are often associated with promises made by elected officials during their campaigns. There is a strong political and public pressure to deliver these projects within a specific timeframe to fulfill campaign promises and meet the expectations of the community. This pressure acts as a catalyst for timely implementation and higher budget absorption. Finally, the researcher asked the respondents on other factors that affects budget absorption rate. From the findings one of the major factors that affect budget absorption rate is delayed disbursement of funds from National Government to the County. Another factor that affects budget absorption is slow and lengthy procurement process. Inadequate pre-feasibility and feasibility studies before project initiation also affect budget absorption. Lack of proper sensitization on matters to do with budget execution also affect budget absorption.

From the qualitative data some of the respondents revealed that several factors negatively impact the budget absorption rate in the County Government. Including bureaucratic processes-cumbersome administrative procedures and approval delays hinder the timely execution of budgeted projects. Capacity constraints-insufficient human resources and technical capacity within government departments can impede the effective implementation of planned initiatives. Procurement challenges-delays in the procurement process and issues related to transparency can affect the timely acquisition of goods and services. External factors-Unforeseen events such as economic fluctuations, natural disasters, or pandemics can disrupt planned activities and impact budget absorption. Communication gaps-Inadequate communication between government departments and stakeholders may lead to misunderstandings, delays, and inefficiencies in project execution. Secondary was collected from the County audited reports and auditor general reports on the budget absorption rate in the county government of Nakuru. Using a data collecting sheet, secondary data was gathered.

Table 5: Nakuru County Budget Absorption Rate from 2018-2023

FY	Target	Actual	BER
2022/2023	21,209,698,916	15,007,056,740	71%
2021/2022	23,513,986,580	16,889,419,825	72%
2020/2021	20,971,169,053	14,330,819,820	68%
2019/2020	21,951,180,075	14,593,132,221	66%
2018/2019	18,478,935,378	12,560,014,428	68%

Source: Office of the Controller of Budget: Consolidated County Budget Implementation Review Reports from 2018-2022

From the findings during 2022/2023 financial year Nakuru County recorded 71% budget absorption rate, in 2021/2022 financial year Nakuru County recorded 72% budget absorption rate, in 2020/2021 financial year Nakuru County recorded 68% budget absorption rate, in 2019/2020 financial year Nakuru County recorded 66% budget absorption rate, in 2018/2019 financial year Nakuru County recorded 68% budget absorption rate. This implies that budget absorption rate was highest in 2021/2022 financial year. Efficient budget planning and execution are crucial for optimizing absorption rates. Poor planning, bureaucratic hurdles, and delays in procurement processes can impede the timely implementation of projects and programs, resulting in unspent funds. Moreover, the efficiency of procurement processes directly influences budget absorption, as lengthy procedures and delays in contract awards hinder project execution. Additionally, the capacity and skills of government officials involved in budget implementation and project management play a vital role. Adequate training and skills development are essential to ensure resources are utilized effectively. Infrastructure and service delivery capacity within the county are also influential factors. Limited infrastructure or insufficient human resources may impede project implementation, affecting the absorption rate. Political stability and governance issues further impact budget absorption, with political unrest or changes in leadership potentially disrupting budget execution processes and priorities. Moreover, public participation and transparency in budget processes are vital for efficient resource utilization. Lack of public involvement and transparency can lead to inefficiencies and mismanagement of funds, hindering absorption rates.

Correlation Analysis

The researcher undertook correlation analysis to establish the nature and strength of the relationships between the independent and the dependent variables of the study.

Table 6: Correlation between Revenue Forecasting and Budget Absorption

		Budget Absorption
Performance of Revenue Forecasting	Pearson Correlation	.518**
	Sig. (2-tailed)	.000
	N	145

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

Source: Research Data (2022)
The study as shown in Table 4.14 established that there was a strong positive correlation between revenue forecasting and budget absorption in the County Government of Nakuru ($r = 0.541$; $p < 0.05$). The results of the correlation analysis indicated that better revenue forecasting enhances budget absorption in the County Government of Nakuru. The study findings are in line with those of Mithamo, Gioko and Njoroge (2022) who found that revenue collection had a positive and significant effect on budgetary performance of County Government of Kirinyaga. The study findings are in tandem with those of Cheboi (2019) who found that a significant relationship between budget planning, budgetary staff capacity, revenue resource availability, audit processes and financial performance at the County.

Regression Coefficients

Table 7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.038	.145		.260	.796
Revenue Forecasting	.245	.104	.179	2.356	.022

Dependent Variable: Budget absorption in the County Government of Nakuru.

The goal was to establish the effect of revenue forecasting on budget absorption in the County Government of Nakuru.

The value of budget absorption in the County Government of Nakuru is .038. This explains that, at any given time, budget absorption in the County Government of Nakuru will be 1.082 holding other factors constant at 0. The results also illustrate that, a unit change in revenue forecasting would result to would lead to a 0.245 improvement in budget absorption in the County Government of Nakuru.

$$\mathbf{Y = 0.38 + 0.245 + \varepsilon}$$

Hypothesis Testing

The study carried a hypothesis testing using p-values in Table 7.

The study sought to test the hypothesis that: **$H0_3$:** Revenue forecasting has no significant effect on budget absorption in the County Government of Nakuru. From the findings the p-value was 0.016 0.022 which was less the 0.05 significant level. Therefore, based on the rule of significance, the study rejects the null hypothesis (H_{03}**)** and concluded that revenue forecasting has no significant effect on budget absorption in the County Government of Nakuru. The study findings are in line with those of Mithamo, Gioko and Njoroge (2022) who found that revenue collection had a positive and significant effect on budgetary performance of County Government of Kirinyaga. The study findings are in tandem with those of Cheboi (2019) who found that a significant relationship between budget planning, budgetary staff capacity, revenue resource availability audit processes and financial performance at the County.

V. DISCUSSIONS

The study findings revealed that diversifying revenue sources ensures efficient use of funds which enhances budget absorption. The study also found out that diversifying revenue sources helps the County Government to expand its revenue base which in turn increases budget absorption The study findings are in line with those of Chen and Shum, (2019) who found that sensitivity analysis allows County Governments to evaluate various resource allocation scenarios. By considering different combinations of funding levels and allocation strategies, Governments can analyze the potential outcomes on budget absorption. This analysis helps identify the most effective allocation options and supports decision-making that maximizes the utilization of available resources.

The study further found that historical trend analysis helps in forecasting future revenue streams with greater accuracy hence effective budget absorption. The study also found that historical trend analysis helps the County Government in long term planning and forecasting on revenue growth. The study findings are in line with those of (Mishra, Lin, & Zhang, 2019). Who found that historical trend analysis allows County Governments to understand revenue patterns over time. By examining historical data, Governments can identify recurring patterns, seasonal fluctuations, and long-term trends in revenue generation. This understanding provides a foundation for projecting future revenue growth and enables Governments to make informed decisions regarding resource allocation and budget planning.

VI. CONCLUSION AND RECOMMENDATIONS

The study concluded that there was a strong positive correlation between revenue forecasting and budget absorption in the County Government of Nakuru ($r = 0.541$; $p < 0.05$). The study findings are in line with those of Mithamo, Gioko and

Njoroge (2022) who found that revenue collection had a positive and significant effect on budgetary performance of County Government of Kirinyaga. From the findings and conclusions, the study recommended that the County Government of Nakuru should improve revenue forecasting methodologies by considering historical trends, economic indicators, and specific factors relevant to Nakuru County. This will help in generating more accurate revenue projections and avoid overestimation or underestimation of revenue. The study further recommended that the County Government should regularly review and update revenue forecasting models to reflect changing economic conditions, policy changes, and other factors that may impact revenue collection. The County Government should strengthen revenue collection processes by implementing effective revenue management systems, enhancing tax compliance measures, and exploring innovative revenue generation strategies. This will contribute to increased revenue streams and improved budget absorption.

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