

Abstract

The Theory of federalism suggests that a fiscal decentralization negatively affects the size of a government budget. Indeed, the size of the national budget in Kenya has been ballooning ever since the inception of fiscal decentralization. What is of concern to this study is its efficacy and ultimate effect on household income. The importance of the hypothesis of fiscal federalism was tested by adopting the Survey and Evaluation Program (NASSEP V) frame that the Kenya Bureau of Statistics currently operates to conduct household-based in Kenya. The study employed an inductive ex post facto cross sectional quantitative survey design. Secondary panel data was collected from County Treasuries while Primary data was collected through household surveys and Fiscal and Monetary Departments of county assemblies. The study established a significant association between budget efficacy and household income as indicated by a beta coefficient of 0.9021 and a p' value of 0.000. The beta coefficient has positive sign, which indicates that there is a direct relationship between budget efficacy and household income. An increase in budget efficacy is expected to have a positive influence on household income. The findings of this study are expected to empower citizens through access of information on the real meaning and effects of fiscal asymmetric decentralization while policy makers will know the strength of the correlation between fiscal asymmetry and household effect in order to match monetary policy with the needs of lower government levels for implementation of the country's financial framework.