THE EFFECT OF ADOPTION OF PUBLIC FINANCIAL REFORMS ON THE PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA

BY

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DECLARATION
This research project is my original work and has not been submitted for examination in any other university.

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Kithaka David Njau D61/73863/2013

This research proposal has been submitted for examination with my approval as the University supervisor

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DEDICATION
This project is dedicated to my parents for their continued support through our education journey.
ACKNOWLEDGEMENT
I would like to thank God Almighty for his blessings throughout my academic journey. My gratitude also extends to my supervisor Dr Kennedy Okiro for her professional guidance and assistance through the entire project work. My gratitude also extends to all the research participants who spared their time to respond to our questionnaires and contribution towards the content of the projects.
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<tr>
<td>APT</td>
<td>Arbitrage Pricing Theory</td>
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<td>CBK</td>
<td>Central Bank of Kenya</td>
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<td>CMA</td>
<td>Capital Markets Authority</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IFE</td>
<td>International Fisher Effect</td>
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<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<tr>
<td>NSE</td>
<td>Nairobi Security Exchange</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>ROA</td>
<td>Return on Asset</td>
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<td>ROI</td>
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ABSTRACT

This study discusses the subject of the effects of public financial management (PFM) reforms on the financial management of county government in Kenya. The PFM provides a critical financial management solution for countries whose administrative and economic infrastructure is obsolete, or has been destroyed through war and years of conflict. There is broad agreement that a fully functioning PFM can improve governance by providing real-time financial information that financial and other managers can use to administer programs effectively, formulate budgets, and manage resources. Sound PFM systems, coupled with the adoption of centralized treasury operations, can not only help developing county governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud. The study recommended that PFM reforms should therefore be rolled out to all public sector
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The Government of Kenya (GoK) has made deliberate efforts to decentralize most of its development projects over the years with the aim of establishing funding programs that bring development closer to the people. There have, however, been several challenges in the implementation of these funding regimes, where for instance funds have been used to boost political power (Gachomo, 2007), where there has been inadequate administrative capacity at constituency levels, as well as limited participation by vulnerable groups. Developing countries particularly in Africa have reported positive progress; either in the form of specific countries scoring better on assessments over time or in better performance across countries in the adoption of integrated financial management systems. It is however worth noting that, while performance indicator scores have increased across developing countries, these reflect uneven improvements across processes and evidence of improvements in overall public performance management system quality and impact on the overall goals is elusive (Westcot, 2008).

Devolution is understood from the broader concept of decentralization. Decentralization Theory relies on Richard Musgrave’s (1959), Wallace Oates (1972) notion on “Fiscal federalism” which contends that the Central Government should have the basic responsibility for the macroeconomic stabilization function and income redistribution in the form of assistance to the poor. According to Musgrave, there are three economic functions that should be assigned to the Government: stabilization,
distribution and allocation (1989). In public finance theory, the stabilization function is assigned to the Central Government. According to Oates (1991), the distribution task should be the responsibility of the central or sub-central levels of Government. Furthermore, allocation function, the provision of public goods and services is best placed with local Government organs. Oates (1991) formulated the decentralization theorem which confirms the inefficiency of uniform service provision by central Government. He argues that if there are no economies of scale from centralized provision, welfare can be maximized by diversifying services in accordance with local needs.

In Sub-Saharan Africa, fiscal decentralization initiatives have always been geared towards improving service delivery. This is pegged on the fact that large segments of the population remain illiterate and do not have access to adequate health services and clean drinking water. In Kenya, the financing mechanism of decentralized development has evolved over the years. Therefore there is broad agreement that a fully functioning public financial management (PFM) can improve governance by providing real-time financial information that financial and other managers can use to administer programs effectively, formulate budgets, and manage resources. Sound PFM including the integrated financial management systems (IFMIS), coupled with the adoption of centralized treasury operations, can not only help developing country governments gain effective control over their finances, but also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud (USAID, 2004).
1.1.1 Public Financial Management Reforms

Financial management system refers to the operation of those systems and processes designed for budget making and budget implementation; the maintenance of accounting system which records financial decisions, flows and transactions, and the auditing of all aspects of these accounts (Pollitt, 2008). PFM on the other hand is the computerization of public expenditure management processes including budget formulation, budget execution, and accounting with the help of a fully integrated system for financial management of line ministries and other spending agencies (Diamond & Khemani, 2005).

In most developing countries (DCs), budget execution and accounting processes are either manual or supported by very old and inadequately maintained software applications (McKinney, 2004). The consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control and reporting has negatively impacted budget management. The results have been a poorly controlled commitment of government resources, often resulting in a large buildup of arrears, excessive borrowing, pushing up interest rates and crowding out private-sector investment; and misallocation of resources, undermining the effectiveness and efficiency of service delivery. In response, most governments have made substantial investments in capacity building and technology for the development of IFMIS (Dener & Min, 2013).

McKinney (2004) identifies three main activities relate to financial management. Firstly, it determines the scope and content of fiscal policies; which is a process in which agency, community or relevant political parties set forth programs and provide
the appropriation or resources required to accomplish them. Secondly, it establishes general guidelines and standards to ensure that funds are spent honestly and wisely to achieve publicly determined purposes. Thirdly, it provides organizational structures and controls to effectively carry out fiscal duties and responsibilities.

1.1.2 Performance of County Governments

Performance is a general measure of a firm's overall financial health over a given period of time and thus can be used to compare firms across the same industries or sectors in aggregation. The importance of financial stability according to Anderson (2011) ranges from enabling an organization to have sufficient resource for quality service delivery, maximizing the potential of service delivery, enhancing the ability to pay staff, vendors and creditors on time and maintenance of good credit risk. This makes financial performance an important area of concern that has attracted the attention of researchers, organizational managers, government and the public at large.

Fiscal measures embodied in financial planning enable government by means of its aggregate expenditures and taxation to influence and shape incomes, production and employment in desired directions (Rahaman, 2010). The financial plan can indeed have far reaching economic and development implications and so has come to be used as a tool for economic planning, regulating aggregate expenditure and taxation levels, volume of production, income levels, and consequently savings and investment levels and employment. Governments can, and often do use a well-coordinated revenue, expenditure and debt programs to influence not only the national economy but also to stimulate development (Rubin, 2000).
Financial planning helps to anticipate problems and information needs; helps to identify solutions without trial-and-error learning; manage resource supply and demand; identify when to focus effort and attention in different areas, facilitating the identification of appropriate sequences; helps to make people’s expectations for the timing of activities more concrete (Willoughby & Julia, 2001). Planning helps to turn broad goals into action steps and helps to create timetables for how long tasks should take, to transfer founder’s vision to those acting on it, to avoid side-tracking of efforts and helps to correct deviation from objectives (Kenneth, 2010).

1.1.3 Public Financial Management Reforms and Performance

PFM reforms are largely new concepts or systems granted that it is yet to take sufficient roots especially in the county governments. Indeje & Zheng (2010) contend that the introduction of a new information system such as IFMIS fundamentally changes the way operations are carried out and, therefore, requires a carefully managed process in order to avert probable staff resistance. This process results in the creation of a new organizational culture, that is, change in the way the organization operates. An IFMIS generally implies fundamental changes in operating procedures and should be preceded by a detailed functional analysis of processes, procedures, user profiles and requirements that the system will support (Chène, 2009).

IFMIS enables prompt and efficient access to reliable financial data and helps in strengthening government’s financial controls, improving the provision of government services, raising the budget process to higher levels of transparency and accountability, and expediting government operations (GoK, 2011; Peterson et al, 2008). Kiilu & Ngugi (2014) argue that the adoption of IFMIS has led to effective
management of public funds in Kenya National Treasury. IFMIS has enhanced automation of government processes, enhanced reporting, enhanced record keeping, and enhanced communication, customization of government processes and integration of government processes. According to Nzuve (2012), IFMIS enhances effectiveness and transparency of financial management system, offers a standardized integrated financial management reporting system, and provides timely and accurate financial information.

1.1.4 County Governments in Kenya

The Constitution of Kenya was formally promulgated into law on 27th August 2010. The new constitution introduced major changes in the country’s governance framework. A key departure from the earlier system of governance is the shift from a highly centralized to a decentralized governance framework, comprising of two levels of government the national government and 47 county governments. Previously, the Executive, through the President and the Cabinet, exercised significant political, administrative and fiscal power control over both the national and sub-national governments. This is greatly changed with the establishment of the county governments.

Decentralization, as envisaged in the Constitution of Kenya entails sharing of political, administrative and fiscal responsibilities between the national and the county governments. Political decentralization involved the transfer of political authority to the local level through the establishment of county governments as well as electoral and political party reforms. Administrative decentralization has led to full or partial transfer of functional responsibilities to the county governments. Functions that have
been transferred to the county governments include health care services, garbage collection, among others. Fiscal decentralization involves transfer of financial authority to the county governments by reducing the conditions on the intergovernmental fiscal transfer of resources and granting the county government’s greater authority to generate their own revenue.

1.2 Research Problem

Developing countries are progressively adopting systems to modernize and improve public financial management due to its significant contribution to the countries’ economic growth (Kishor et al., 2013). Globally, governments are investing a great deal of resources to streamline and improve public financial management and are implementing new management systems. This is geared towards enhancing accessibility, increasing efficiency and saving costs and in government public financial management and improving transparency in financial management (Baily, 2008). The implementation of devolution goes on and the debate rages on whether funding from National Exchequer is adequate or not. Public Finance Management (PFM) system at the county level to ensure successful management of the public sector and the economy.

E-government has resulted to the adoption and implementation of are Integrated financial management information system (IFMIS) within the Public Financial Management (PFM) system (Dorotinsky and Cho, 2003; Kasumba, 2009). This is aimed at supporting the achievement of fiscal discipline, strategic and efficient allocation and use of funds, value for money and probity in the use of public funds.
Imbuye (2013) adds that the IFMIS implementation requirement in Kenya originated from the Ministry of Finance and Economic Planning ICT Master Plan 2001-2005 that highlighted the gaps and weaknesses within the Soft Issues Bid Evaluation Tool (SIBET) system that was currently being used. The plan recommended the development of different modules comprising of accounting, revenue management, asset management inter alia as well as the establishment of interfaces with the National Bank Payment Information System (NBPIs), Kenya Revenue Authority (KRA) and the Ministry of Labour for payroll and human resource management modules. Despite its introduction, IFMIS did not achieve its key objectives within the set timelines leading to its re-engineering in 2011 (Karanja and Ng’ang’a, 2014).

According to Rodin-Brown (2008), challenges can have a devastating effect on the success of the implementation and management of IFMIS and should not be underestimated.

The goals of implementing any IFMIS for Kenya included effectiveness, efficiency and improved outcomes in financial management processes. Specifically, IFMIS was geared towards achieving better fiscal management, more optimal resource allocation, improved management of resources, reduced fraud and corruption, improved transparency and accountability, lower transaction costs (Ministry of Finance, 2003). The Kenyan government has embraced the use of IFMIS to execute effective financial management in the various government ministries and public institutions (Kang’ethe, 2002).
Studies on the impact of IFMIS on the performance includes Cherotich & Bichanga (2016), Kahari et al (2015), Biwott (2015), Odago & Mwajuma (2013), Njonde & Kimanzi (2014), Conrad (2013), and Wainaina (2014). However most of these studies only focused on the central government. There is therefore a gap in literature as far as the study on the adoption of IFMIS on the performance of county government in Kenya is concerned hence the need for this study. The study sought to answer the following question: what is the impact of the adoption of IFMIS on the performance of county government in Kenya?

1.3 Research objective

To determine the effect of the adoption of integrated financial management information system on the performance of county governments in Kenya.

1.4 Value of the study

High quality public financial management is necessary in many countries and it makes of Government financial instruments attractive in the international financial markets. Further, there exist various crises in many developing countries especially in Africa, with government debt levels sitting at very precarious levels; and it is no news that government finances need to be managed very carefully thus adoption of PFM would increase credibility and assurances of these financial statements.

In light of the pervasiveness and severity of government corruption in many developing countries, financial integrity assurance is a critically important function of their county governments accounting systems. Achieving this requires high quality information on which to base decisions. Timely, clear and open annual financial
statements play a significant role in the accountability of governments to their citizens and their elected representatives.

The use of information technology by both the public and private sectors have made the issue of public sector accounting a pertinent part of accounting studies in the world. IFMIS concern very important matter because it improves the capacity of governments to provide the legislative bodies, citizens, media and other stakeholders with understandable, relevant, reliable, and comparable financial statements; this study therefore will improve the quality of financial accountability, governance and financial reporting in Public Sector.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to explore four components of the study. It entails the theoretical framework, which contains theories in governance. It also tackles empirical review, which explores various past studies by different researchers on various aspects of government accounting and reporting.

2.2 Theoretical Literature Review

The following Section reviews the theoretical perspectives of public sector accounting that is relevant for this study, drawn on agency theory, stewardship theory, institutional theory and political theory.

2.2.1 Agency Theory

Much of the research into governance derives from agency theory, which posits that accountability is necessary in order to ensure that the principal-agent problem is mitigated (Berle & Means 1932). The agency theory was established by Jensen and Meckling in 1976. The theory models the relationship between principal (government) and the agent (public sector managers). An ‘agent’ is someone who performs work on behalf of another individual (i.e. the principal). The difficulty that arises from the principal-agent relationship is that it is not possible for principals to contractually define everything that the agent should do in every conceivable situation. The ‘ideal’ or ‘complete’ contract is impossible due to bounded rationality. The problems arising from the principal-agent relationship may be exacerbated by
three factors: hidden information, sunk costs and opportunism (Fama & Jensen 1983b).

Jensen and Meckling (1976) argued that the separation of ownership and control has resulted in an agency problem as the managers who act as agents might not always act in the best interests of the shareholders or owners, who are the principals of the firm. This might be due to the interests of both parties which are not aligned. Agency problem results in agency costs, which are the costs of the separation of ownership and control. Agency costs have been defined as the sum of the monitoring expenditures by the principal, the bonding expenditures by the agent and the residual costs. The agency problems arise because managers will not solely act to maximize the shareholders’ wealth; they may protect their own interests or seek the goal of maximizing companies’ growth instead of earnings while making decisions. Jensen and Meckling (1976) suggested that the inefficiency may be reduced as managerial incentives to take value maximizing decisions increased. Agency costs arise from divergence of interests between shareholders and company managers; it includes the monitoring costs, bonding costs, residual loss and costs of free cash flow and debt.

2.2.2 Stakeholder Theory

The significance of stakeholder theory is that it recognizes that organizations are not controlled or affected purely by those that exercise ownership rights in the organization. As Freeman et al. (2004) argued: the notion that shareholders govern the corporation is largely a fiction; typically, executives have the greatest power’. In this sense the conventional model of the corporation, in both legal and managerial forms, has failed to discipline ‘self-serving’ managerial behavior. The fundamental
consequence of stakeholder theory for corporate governance is that it necessitates governance structures that promote alignment not just between agents and principals, but between agents, principals and parties who have broader, but reasonable, interests in the organization. It is precisely because of this multifaceted approach to understanding corporate governance: that corporate governance should be responsive to multiple, competing interests, which provide intellectual rigor to a stakeholder framework.

According to Smallman (2004), the main criticism of stakeholder theory is focusing on identifying the problem of who constitutes genuine stakeholders. Another argument is that meeting stakeholders’ interests also leads to corruption, as it offers agents the opportunity to divert the wealth away from shareholders to others.

2.2.3 Resource Dependency Theory

According to the resource dependency theory, directors bring resources such as information, skills, key constituents (suppliers, buyers, public policy decision makers, social groups) and legitimacy that will reduce uncertainty which in turn reduces the transaction cost and the potential of linking the organization with the external networks. This provides opportunity to gather more information and even skills in various specialties. Lawrence and Lorsch (1967) linked the resource dependency theory as an environmental influence on corporate governance and they argued that successful organizations possess internal structures that match external environmental demand. Pfeffer (1972) confirmed this argument and explained that board size and its composition is a rational organizational response to the conditions of the external environment and he further argued that external independent directors may serve to
connect the external resources with the firm to overcome uncertainty, which is very important for long term sustainability. This was emphasized in the corporate governance which explains that a majority of external members could bring the most needed business skill into institutions. Further resource dependency theory was supported through appointment of external members to the board as a way of obtaining multiple skills and because of their opportunities to gather information and networking in various ways.

2.2.4 Institutional Theory

Institutional theory is a widely accepted theoretical posture that emphasizes organizations is social cultural systems and it focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes; rules, norms, and routines as authoritative guidelines for social behavior (Scott, 2004). Different components of institutional theory explain how these elements are created and adapted over time.

The emphasis on institutional theory is normally viewed from the regulatory perspective. Better legal environment encourages the adoption of good governance due increased incentives to the firms and countries have different governance codes that serve as templates for practice in the concerned countries (Stulz et al., 2004). The main idea of institutional theory is that the organizations are exposed and linked to external environment accordingly; governance should ensure that, there is a clear link between the organizations and environment based on organizations goals and objectives. Governance should have an effective influence and involvement in formalizing and identifying corporate goals. Cohen et al. (2007) suggested that, in
order to formulate a compensation policy senior manager should understand all norms and traditions of the organization. However, those policies are resistant to change even in the face of major changes in job content and technology complexity. The adaptation and rejection of these changes should be examined and investigated based on the historical, social and political issues that are linked to recognizing organizational changes.

According to Weir et al. (2002) CG consists of external governance mechanisms and internal governance mechanisms that are linked to the concept of institutional theory. The theory explains the deeper and more resilient aspects of social structure, processes, schemes, rules, norms and routines that have become established as authoritative guidelines for social behavior. It looks at how these elements are created, diffused, adopted and adapted over space and time, and how they fall into decline and disuse. Basically, institutional theory asserts that organizational structures and procedures are adopted because important external institutions prefer them. Institutional networks are not merely control and co-coordinating mechanisms for economic transactions, they socially construct rules and beliefs for conformity and reward.

2.2.5 Political Theory

Political theory brings the approach of developing voting support from shareholders, rather by purchasing voting power. Hence having a political influence in corporations may direct governance within the organization. Public interest is much reserved as the government participates in corporate decision making, taking into consideration cultural challenges (Pound, 1992). The political model highlights the allocation of
corporate power, profits and privileges are determined via the governments’ favor. The political model of governance can have an immense influence on governance developments. Over the last decades, the government of a country has been seen to have a strong political influence on firms. As a result, there is an entrance of politics into the governance structure or firms’ mechanism.

2.2.6 Public Choice Theory

According to Buchanan and Tullock (1990) Public Choice Theory (PCT) involves the interaction of the public, the politicians, the bureaucracy and political action. PCT refers to the use of economic tools to deal with traditional political problem. Rowley (2008) supports PCT as he contends that it includes the study of political behavior. PCT has roots in positive analysis and it is used also in normative analysis in order to identify problems or improvements to use economic analysis for performance improvement.

The reward system in the public sector isn’t oriented towards improving performance and consequently there are no incentives for politicians and bureaucratic to control costs. PCT also argue that public bureaucracies are notoriously slow to respond to change in environment as well as being irresponsible to service users in the public sector. Spira and Page (2013) as an essential element of a strong public sector governance structure, auditing supports the governance roles of oversight, insight and foresight features. The organization’s success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner to the satisfaction of shareholders.
2.3 Determinants of financial reporting in public sector

Key components of any governance and accountability system in the public sector are the preparation of financial statements in accordance with well-understood and generally accepted accounting standards. A fundamental element of external accountability is the need for public sector entities to prepare annual financial statements and publish them in their annual report. The purpose of financial statements is to present a true and fair view of an entity’s financial performance, financial position, equity and cash flows. As such, they are an important means of demonstrating how the public sector, both at individual entity and whole-of-government level, meets its financial management responsibilities.

2.3.1 Technological Development

One of the conditions for the effective implementation of IPSAS by the bodies which sponsor it was a sound accounting information system in place by governments (WB, 1999). One such reform among the NPFM reforms was the adoption and implementation of IFMIS by the Kenya Government in the years that followed shortly after the year 2000 (GITS, 2001). Training of staff followed shortly thereafter and a limited capacity of staff at the AGD were initially trained to roll out this system. This was a pilot with one department out of the fourteen. This information system like that of IPSAS has its own limitations although now being rolled to the other departments piecemeal beginning 2012 (AGD, 2012).

With the adoption and implementation of IPSAS the financial information management system of the Government will have to be upgraded to cope with the
financial data requirements of the IPSAS standards (Price Waterhouse Coopers, 2011). According to this report, the current integrated Financial Management System (IFMIS) in use by the government for financial management will require to be evaluated for adequacy with the adoption of the new accounting standards. The report sums up by emphasizing on capacity building required in this area to ensure that it does not become an implementation drawback.

2.3.2 Political, Legal and Administration

It is notable that some progress has been made towards IPSAS adoption in Kenya (Price Waterhouse Coopers, 2011); the office of the AGD has issued a circular requiring the governments donor funded projects to prepare their financial reports on the basis of IPSAS. The Ministry of local government through the Kenya Local Government Reform Programmed has also prepared an IPSAS based financial reporting template to be adopted by all the 175 local Authorities in the preparation of their financial reports. It is also important to note that we have a Kenyan Board member on the IPSASB who is the only representative from Africa.

The Financial management Act or any other legal framework for the preparation of Governments financial statements will have to be revised in order to entrench IPSAS basis in the financial management law. The Financial management Act 2004 which is in use today as the basis of the preparation of Governments financial statements and as well as the Governments financial regulations and procedures 1989, do not mention IPSAS neither prescribe it as the basis of financial statements preparation (KNAO, 2010). A Legal framework will therefore require to be crafted which prescribe IPSAS as the basis of preparation of governments financial statements. The IPSAS concept
needs to be embraced by all stakeholders including Parliament, KNAO, Treasury, Government departments, Development Partners, as well as the NGO:S. This is a good learning lesson to the Kenya Government given the experience of the earlier reforms in adopting and implementing the World Banks other Reforms of MTEF, IFMIS and performance contracting (WB, 2009).

2.3.3 Training and Skills

The number of qualified accountants in Kenya has increased tremendously over the years in both the private and public sectors. However the IPSAS is a new concept which is not understood by many (Price water House Coopers, 2011). The Government as the leading user of these standards will have therefore requires undertaking massive capacity building to enlighten its accountants on IPSAS. This is going to be a challenge both in terms of capacity building costs and the required change management issues from the traditional cash accounting to a more business like accounting under accrual basis IPSAS (KNAO, 2011). The adoption of this new financial reporting framework will herald significant changes to the systems and process of financial reporting by the Government. This may come with new formats and financial reporting templates requirements of the various government entities.

2.4 Empirical Literature Review

Public sector accounting is a system or process which gathers, records, classifies and summarizes as reports the financial events existing in the public or government sector as financial statements and interprets as required by accountability and financial transparency to provide information to information users associated to public institutions. It is interested in the receipts, custody, disbursement and rendering of
stewardship of public funds entrusted. The public sector is a term used to identify the portion of a nation’s economy that is focused on providing basic services to citizens through the framework of a governmental organization. The literature revealed that accrual accounting is an important element in public sector reforms directed to improve the efficiency and responsiveness of government services and enhancing the accountability for the use of public resources (Ouda, 2007).

According to Frank, (1972, accounting is often said to be the language of business. It is used by the business world to describe the transaction entered into by all kinds of government Departments. In any office were money is used as a means of exchange, there is need to record all monetary transactions that took place in the office and this is done so that at any moment a reference can be made to fund the effect of all transactions.

According to Roger, (1989), the users of the information define accounting as the process of identifying, measuring, communicating economic information to permit firm judgment and decision. This information is primarily financial and generally stated in monetary terms. Accounting then is a fundamental measurement and communicable process use to report on the activity of a profit seeking business organizations and not for non-profitable organizations.

According to Omelehinwa, (1990), he said, accounting system is a set of rules, regulation and procedure which are anticipated by appropriate theoretical force into a system. This definition of accounting system is rather instructive. He maintained that accounting system processes data into information which are received as input in the
decision making process of the organization. The four principal qualitative characteristics are understandability, relevance, reliability and comparability. These principles ensure that the users of financial statements are provided with useful information for decision-making purpose. Constraints on relevant and reliability of information include; timeliness, balance between benefit and cost, and balance between qualitative characteristics.

Afolabi (2004) indicated that rather than creating a hard set of rules to follow, the Accounting Systems allow for an application of basic principles to either large and small entities or municipalities. An international set of accounting principles is also necessary for smaller nations to learn and adopt rules that will enhance their internal national accounting process. Most times, developing nations cannot or do not have the resources capable to create and instill a framework for their public sector accounting practices. Adopting an international set of accounting rules will help them overcome this problem and typically helps them start on the path better infrastructure development.

Another purpose of public sector accounting is to create a standard expectation of ethics and accountability for a nation’s financial information. Standard public accounting principles will also make it easier for a nation to undergo an audit. it is also harder for countries to hide inappropriate financial transactions when using public sector accounting principles.

These financial statements are prepared on a cash basis or some variation of an accrual basis of accounting. However, most of these financial statements are not prepared on a consistent or comparable basis in developing countries. The benefits of
achieving consistent and comparable financial information across jurisdictions are very important and a set of International Public Sector Accounting Standards (IPSAS) have been established by the IPSAS Board to assist in that endeavor.

According to Mathias, (2004) private sector accounting in theory is similar in focus to public sector accounting. Most Central government Ministries and department agencies need to track funds generated from tax revenues and expenditures related to projects or appropriations. In addition, nations may need to follow a set of standard of accounting principles different from International accounting standards and International Financial reporting framework which are more tailored for trading organizations. The creation of an international Public sector accounting standard helps nations to follow similar rules and to present information in a similar manner.

Chan, (2006) analyzed government accounting reform and IPSAS, and issues relating application of IPSAS, and advantages and disadvantages of accrual accounting based on IPSAS standards to the government accounting, the extent of IPSAS adoption, and some recommendations of the application of the IPSAS to the developing countries especially. Nonetheless, Chrisiaens et al. (2013) emphasized the capabilities among countries depend on the differences in culture, historical context or in structural elements of each country that may influence the public sector reforms and the accounting systems. The Public sector comprises entities or organizations that implement public policy through the provision of services and the redistribution of income and wealth, with both activities supported mainly by compulsory tax or levies on other sectors. This comprises governments and all publicly owned, controlled and or publicly funded agencies, enterprises, and other entities of government that deliver public programs, goods, or services.
2.5 Conceptual Framework

Figure 2.1: Conceptual framework

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFM Adoption</td>
<td>Performance</td>
</tr>
<tr>
<td>Transparency</td>
<td>Quality of financial reports</td>
</tr>
<tr>
<td>Comparability</td>
<td>Disclosure</td>
</tr>
<tr>
<td>Disclosure</td>
<td>Timeliness</td>
</tr>
<tr>
<td>Timeliness</td>
<td></td>
</tr>
</tbody>
</table>

2.6 Summary of Literature Review

Literature on PFM adoption has provided insight into the complex nature of instituting accounting changes within the public sector. This insight may serve as an important input throughout the implementation process. However, a large proportion of the literature dedicated to accrual accounting in the public sector focuses on whether it is actually beneficial or not. Studies on the use of accrual based accounting in the public sector (in this case on the government of the United Kingdom) have reported that accrual-based accounting has assisted decision-makers to better understand how they are using their financial resources by, among other things, offering more detailed information to manage assets and liabilities. This has assisted decision-makers to identify underutilized assets and to dispose of those no longer required (National Audit Office, 2008).

Other studies have taken a more critical approach to accrual accounting in the public sector, pointing to the fact that there is a lack of empirical research indicating that benefits outweigh costs in moving from cash based to accrual-based accounting.
(Wynne, 2007). Arguments are also being made that accrual accounting is based on a private sector model that is not appropriate for the public sector as it may divert attention away from the real issues (Christensen, 2007).
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the methodology that was used in the study. It outlines the overall methodology that was used to carry out the research. It encompasses the research design, the research population, data collection methods and analysis of data which aided in achieving the study objectives.

3.2 Research Design

A research design is the arrangement of conditions for data collection and analysis of data in a manner that aim to combine relevance to research purpose with economy in research procedure and decisions regarding a research study.

A research design is used to structure the research to show how all major parts of the research project work together and also tries to address the central research questions. Research design may also be viewed as the framework that indicates the type of information that is needed for the research, the source of such information and method of its collection. The descriptive research design will be used in the study.

3.3 Population and Sampling

A population is defined as all elements (individuals, objects and events) that meet the sample criteria for inclusion in a study. The population of this research work consists
of the 47 County Governments. (Appendix II). The study considered all the 47 county governments.

3.4 Data Collection

Both primary and secondary sources of data will be used in this research work for gathering information. The primary sources of data used in this research work include the following: Questionnaire administration, Oral interview and Personal observations. Secondary data sources included the financial reports. The data covered a period of five years ranging from the year 2011 to 2015.

3.5 Data Analysis

In order to establish the effectiveness of PFM adoption in the county governments, the study will use a multiple regression analysis. The various measures of PFM adoption: transparency, financial statement disclosure, comparability and timeliness were analyzed using descriptive statistics particularly the mean, median, standard deviation and inferential statistics. The SPSS version 21 statistical packages will be used to analyze the data.

3.5.1 Analytical model

Regression analysis was used to establish the relationship between the variables of PFM adoption in the county government. The representation of the model is given in the equation below:

The general representation of the equation above is as follows:
\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon t \]

Where:

\( Y \) = Quality of financial reports;

\( \beta_0 \) = Constant;

\( \beta_1 \) - \( \beta_5 \) = regression coefficients;

\( X_1 \) = Public Financial Management;

\( X_2 \) = Budgetary Allocation;

\( \epsilon t \) = Error term;

### 3.5.2 Test of Significance

T-tests was used to determine whether there is a significant difference between two sets of means. Therefore t-tests using SPSS statistical program would be employed in this study. Conducting the t-tests requires that the normality of the data is not violated. The P-values of results of the multiple regression analysis shall be used to test for significance of the relationship between variables. The significance level to be used shall be 0.05 (5%) to test for significance where any P-value of less than 0.05 shall indicate a significant relationship.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis of the study on the impact of adoption of PFM reforms on the performance of county governments in Kenya. It also focuses on the demographic information of the respondents, presentations, interpretation and discussions of research findings. The presentation was completed based on the research objectives.

4.2 Response Rate

Questionnaire completion rates is the proportion of the sample that participated as intended in all the research procedures. In the study, out of 47 questionnaires administered 44(77%) filled in and returned, this questionnaires return rates was deemed adequate for the study.

4

.3 The demographic information

Table 4.1: Sex

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>28</td>
<td>64</td>
</tr>
<tr>
<td>Female</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td>TOTAL</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>
The table 4.1 above shows the highest number of respondents were male with 28(64%) while only 16(36%) were female respondents. The study implied that large numbers of the respondents were drawn from male respondents.

**Figure 4.1: Designation Bar chart**

![Designation Bar chart](image1)

The table 4.2 above shows the highest number of respondents were accountants with 30(68%) while auditors were 8(18%) and finance officers were 6(14%) respondents. The study implied that large numbers of the respondents were drawn from male respondents.

**Figure 4.2: Designation Bar chart**

![Designation Bar chart](image2)
The figure 4.3 above shows the highest number of respondents were accountants with 30(68%) while auditors were 8(18%) and finance officers were 6(14%) respondents. The researcher concluded that most of the respondents were accountants.

Table 4.2: Age

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 – 24 years</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>25 – 29 years</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>30 – 34 years</td>
<td>12</td>
<td>27</td>
</tr>
<tr>
<td>34 – 35 years</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>36 – 40 years</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>40 – 49 years</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Over 50 years</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>

As per table 4.2 above 2(5%) were drawn from the age group of 19-24 years while 8(18%) were drawn from 25-29 years, 12(27%) were drawn from 30-34 years, while 11(25%) were drawn from 34 – 35 years while 6(14%) were drawn from 36-40 years, 3(6%) was drawn from 40 -49 years and 2(5%) were drawn from the age group of over 50 years
As per figure 4.3 above 2(5%) were drawn from the age group of 19-24 years while 8(18%) were drawn from 25-29 years, 12(27%) were drawn from 30-34 years, while 11(25%) were drawn from 34–35 years while 6(14%) were drawn from 36-40 years, 3(6%) was drawn from 40 -49 years and 2(5%) were drawn from the age group of over 50 years

4.4 Descriptive Statistics

Descriptive statistics are concerned with explaining the sample of the data that the researcher is concerned with. They are used to describe the main features of data collection quantitatively. Below are the findings
4.4.1 Public Financial Reforms

Table 4.3 Public Financial Reforms

<table>
<thead>
<tr>
<th>No</th>
<th>Questions</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is adequate financial allocation towards budgeting process</td>
<td>4.54</td>
<td>1.254</td>
</tr>
<tr>
<td>2</td>
<td>All transactions both receipts and payments are processed through IFMIS</td>
<td>4.58</td>
<td>1.251</td>
</tr>
<tr>
<td>3</td>
<td>There is need for a consultatively developed policy and framework to guide</td>
<td>3.84</td>
<td>0.897</td>
</tr>
<tr>
<td>4</td>
<td>Revenue collected within the county by the county government is used to supplement the budget</td>
<td>4.11</td>
<td>0.987</td>
</tr>
<tr>
<td>5</td>
<td>There is sufficient allocation of finances for all the ministries in the county</td>
<td>4.32</td>
<td>1.145</td>
</tr>
<tr>
<td>6</td>
<td>PFM has led to significant reductions in wasteful expenses and irregular expenditure</td>
<td>4.12</td>
<td>0.254</td>
</tr>
<tr>
<td>7</td>
<td>PFM has streamlined procedures and significantly reduced opportunity for corruption</td>
<td>3.54</td>
<td>0.021</td>
</tr>
<tr>
<td>8</td>
<td>PFM has ensured that the ministry budget is executed in accordance with rules to prevent overspending</td>
<td>4.23</td>
<td>0.257</td>
</tr>
<tr>
<td>9</td>
<td>PFM has automated procedures and internal controls which promotes accountability</td>
<td>4.25</td>
<td>1.215</td>
</tr>
<tr>
<td>10</td>
<td>PFM enables me to trace all stages of transaction processing in the ministry</td>
<td>4.21</td>
<td>1.112</td>
</tr>
</tbody>
</table>

From the above table there is an indication that the mean of transactions from it comes the processing of receipts and payments. The highest mean was 4.58 and the lowest mean was 3.54. The highest standard deviation was 1.254 and the lowest standard deviation 0.021.
Table 4.4 Quality Financial Reporting

<table>
<thead>
<tr>
<th>No</th>
<th>Questions</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There are built-in analytical tools within PFM that enables trend analysis of various elements of fiscal operations at the ministry</td>
<td>4.25</td>
<td>0.454</td>
</tr>
<tr>
<td>2</td>
<td>Through PFM, I am able to reconcile transactions data in real-time</td>
<td>4.55</td>
<td>0.825</td>
</tr>
<tr>
<td>3</td>
<td>PFM accurately discloses the financial position of the ministry</td>
<td>4.25</td>
<td>0.147</td>
</tr>
<tr>
<td>4</td>
<td>The PFM system enables me to generate custom reports for internal and external use</td>
<td>3.58</td>
<td>1.255</td>
</tr>
<tr>
<td>5</td>
<td>I can easily access non-financial information such as employee number and cadre</td>
<td>4.12</td>
<td>1.258</td>
</tr>
<tr>
<td>6</td>
<td>With PFM, I have at my disposal information that can quickly provide year to year balances which can be used for analysis throughout the year</td>
<td>4.21</td>
<td>1.255</td>
</tr>
<tr>
<td>7</td>
<td>PFM offers real-time financial information that enhances my decision making abilities</td>
<td>4.21</td>
<td>1.041</td>
</tr>
<tr>
<td>8</td>
<td>PFM allows for cross-referencing of personal identification numbers and asset inventories that has reduced cases of fraud significantly</td>
<td>4.84</td>
<td>0.145</td>
</tr>
<tr>
<td>9</td>
<td>PFM can trace all the stages of a transaction process hence enhancing transparency and accountability of the process</td>
<td>4.14</td>
<td>0.214</td>
</tr>
<tr>
<td>10</td>
<td>PFM assists management in ensuring accountability for the deployment and use of public resources.</td>
<td>4.13</td>
<td>0.987</td>
</tr>
<tr>
<td>11</td>
<td>built-in features within PFM facilitates effective monitoring and evaluation of Ministry’s activities</td>
<td>4.12</td>
<td>0.247</td>
</tr>
<tr>
<td>12</td>
<td>PFM has improved the effectiveness and efficiency of public expenditure programs</td>
<td>4.25</td>
<td>0.241</td>
</tr>
<tr>
<td>13</td>
<td>PFM provides auditable financial statements from the ministry</td>
<td>4.13</td>
<td>1.958</td>
</tr>
</tbody>
</table>

From the above table there is an indication that the mean of transactions from it comes the processing of receipts and payments. The highest mean was 4.55 and the lowest mean was 3.58. The highest standard deviation was 1.258 and the lowest standard deviation was 0.147.

4.5 Correlation Analysis

Table 4.5 below explains the correlation matrix.
The dependent variable was county performance (CP). The independent variables are public financial management (PFM) and budgetary allocation (BAL). The findings from research as shown in Table 4.4 above demonstrate a positive relationship between the financial performance and PFM was 0.546. There is also an appositive relationship between budgetary allocation and financial performance. The relationships are both significant at a significant level less than 5%.

4.6 Regression Analysis

The study was conducted to establish the relationship between PFM reforms and performance at the county governments in Kenya. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regressions for the study. The study evaluated the independent variables using questionnaires and the dependent variable also using questionnaires. Below are the findings:

<table>
<thead>
<tr>
<th></th>
<th>CP</th>
<th>PFM</th>
<th>BAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFM</td>
<td>.546</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAL</td>
<td>.653**</td>
<td>0.547</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>44</td>
<td>44</td>
<td></td>
</tr>
</tbody>
</table>

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

The model summary shows the summary of the regression analysis as shown in the regression model. Below are the findings in the table 4.5 below;

**Table 4.5: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.583</td>
<td>0.315</td>
<td>0.294</td>
<td>1.31814</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), TP, FR, FC

The model summary (Table 4.5) indicated that there was a strong relationship between the dependent and the independent variables. The value of R Square was 0.315 indicating that 31.5% of the changes in performance are explained by the independent variables for the study i.e. PFM and budgetary allocation and performance.

**Table 4.6: Regression results**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>0.566</td>
<td>0.216</td>
<td>0.113</td>
</tr>
<tr>
<td></td>
<td>PFM</td>
<td>0.613</td>
<td>0.433</td>
<td>0.039</td>
</tr>
<tr>
<td></td>
<td>Budgetary</td>
<td>0.278</td>
<td>0.168</td>
<td>0.134</td>
</tr>
</tbody>
</table>
The Beta coefficients give a measure of the contribution of each variable to the model. A large value indicates that a unit change in this predictor variable has a large effect on the criterion variable. The Regression coefficient value of PFM was 0.613 and budgetary allocation was 0.278. The p-values were less than .05.

\[ Y = 0.566 + 0.613X1 + 0.278X2 + \varepsilon \]

### 4.6.2 Analysis of Variance

The study conducted an Analysis of Variance, in order to test the influence of the adoption of PFM on the performance of county governments in Kenya:

**Table 4.7: Analysis of Variance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>133.019</td>
<td>2</td>
<td>66.509</td>
<td>39.725</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>76.276</td>
<td>41</td>
<td>2.305</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>209.295</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PFM, BAL  
b. Dependent Variable: CF  

The Analysis of Variance (ANOVA) reveals the effect of the adoption of PFM on the performance at the county governments in Kenya. The level of significant as indicated by the P values (0.000) i.e. less than 0.05 and F value (39.725).

### 4.7 Discussion of Research findings

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive
relationship between dependent variable (performance) and independent variables (PFM and budgetary allocations). The findings indicate that a unit change in PFM results in 0.613 units increase in performance of at the county governments. A unit increase in budgetary allocation results in 0.278 units increase in performance.

The t statistics helps in determining the relative importance of each variable in the model. As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case, the most important variable was transactions processing, financial reporting and financial controls.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the study. The main objective of this study was to investigate the impact of adoption of PFM on performance at the county government in Kenya.

5.2 Summary of the Study

From the results there is an indication that 2(5%) were drawn from the age group of 19-24 years while 8(18%) were drawn from 25-29 years, 12(27%) were drawn from 30-34 years, while 11(25%) were drawn from 34 – 35 years while 6(14%) were drawn from 36-40 years, 3(6%) was drawn from 40 -49 years and 2(5%) were drawn from the age group of over 50 years

Highest number of respondents were male with 28(64%) while only 16(36%) were female respondents. The study implied that large numbers of the respondents were drawn from male respondents. When they were asked about their designation the response was as follows 30(68%) indicated accountant, 8(18%) indicated auditor and 6(14%) indicated chief financial officer. The researcher concluded that most of the respondents were accountants. From the results there is an indication that 2(5%) were drawn from the age group of 19-24 years while 8(18%) were drawn from 25-29 years, 12(27%) were drawn from 30-34 years, while 11(25%) were drawn from 34 – 35 years while 6(14%) were drawn from 36-40 years, 3(6%) was drawn from 40 -49 years and 2(5%) were drawn from the age group of over 50 years
Regarding professional technical background all the respondents 44(100%) in accounting and finance had an idea about PFM. The study then concluded that all the respondents have knowledge on PFM.

There was a relatively positive explanatory relationship between the adoption of the PFM and performance at the county governments; the coefficients are significantly different from zero. The Correlation Matrix shows that there is a strong positive relationship between the variables of study.

5.3 Conclusion

The study revealed that most of the respondents attained Masters Level of education in the ministries and counties in Kenya and all the respondents were accountant and they have knowledge on PFM of which they learnt about PFM in colleges. PFM provide vital information to allocate resources in the judiciary in Kenya. The study concluded that PFM do provide information to evaluate performance in the counties in Kenya and PFM highlights government justification to citizens in the government ministries and counties.

The study concluded that PFM promotes accountability among the government ministries and counties. It also strengthens confidence in financial management in the government ministries and counties. It provides information useful in identifying opportunities for future use. It also makes records to detect irregularities in the judiciary. The study concluded that PFM helps accounting system include all the information in the judiciary. PFM has harmonized and standardized of government accounting system in the judiciary. PFM has enhanced transparency and accountability in the government ministries and counties.
The study concluded that PFM adoption affects transaction processing, financial reporting and financial controls in the counties in Kenya. It also revealed that donor budgeting conditions does not affect PFM. Budget is being analyzed and compared with the actual in the government ministries and counties. It indicated that there is a little coloration between the findings whether meetings are called to prepare for the budgets. The study also concluded that PFM contributes to the realistic budget and PFM do assist in budget process. PFM prescribe the minimum standard of proper books of accounts in the government ministries and counties and prescribe internal audit procedure with public financial management Act in the government ministries and counties in Kenya.

5.4 Recommendations

In line with the findings and conclusion of the study, the researcher would make the recommendation that there is need to improve on information to evaluate performance in the government ministries and counties. There is also need to promote accountability among the government ministries. There is also fulfilling for the citizens to know how resources are used among the government ministries and counties. There is need to improve on records keeping including audit that permits condition to trace all accounts to original source documents and better legal framework for budget that conflict reporting by PFM.

5.5 Suggestions for Further Studies

This study forecasted on the effect of implementation of PFM on performance in counties in Kenya after one year implementation the of IFMIS in the Kenyan Public sector, more studies on the same be conducted after intervals of three or five years.
Other studies geared towards strengthening the Public financial management for example the impact of integrated financial Management (IFMIS) on Government financial Management.
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Paper. April 2007, 123-45


APPENDICES

APPENDIX I: QUESTIONNAIRE

PART A:

GENERAL INFORMATION

1. Please indicate your Gender.
   ( ) Male          ( ) Female

2. Your Employer
   ………………………………………………………………………

3. Your designation……………………………………………………………………

4. What is your age bracket?
   ( ) 19 – 24 Years          ( ) 30 – 34 Years
   ( ) 40 – 49 Years          ( ) 35 – 34 Years
   ( ) 25 – 29 Years          ( ) Over 50 years

   Do have an idea on what PFM is?
   ( ) Yes          ( ) No

2. If the answer is No, then have you heard of PFM term anywhere?
   ( ) Yes          ( ) No

3. If the answer is yes, then where did you learn about PFM?
   Secondary school ( )          Internet ( )
   College ( )          Seminars and Conferences ( )
   University ( )          Books and academic literatures ( )

   Others (please state) …………………………….
PART B:

Please score the following

Public Financial Management

<table>
<thead>
<tr>
<th>No</th>
<th>Questions</th>
<th>Disagree</th>
<th>Disagree Strongly</th>
<th>No Opinion</th>
<th>Agree</th>
<th>Agree Strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is adequate financial allocation towards budgeting process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>All transactions both receipts and payments are processed through IFMIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>There is need for a consultatively developed policy and framework to guide</td>
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<td>4</td>
<td>Revenue collected within the county by the county government</td>
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<td>5</td>
<td>is used to supplement the budget</td>
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<td>6</td>
<td>There is sufficient allocation of finances for all the ministries in</td>
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<td>7</td>
<td>the county</td>
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<tr>
<td>8</td>
<td>PFM has led to significant reductions in wasteful expenses and irregular expenditure</td>
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<td>9</td>
<td>PFM has streamlined procedures and significantly reduced opportunity for corruption</td>
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<td>10</td>
<td>PFM has ensured that the ministry budget is executed in accordance with rules to prevent overspending</td>
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Quality of Financial Reporting

<table>
<thead>
<tr>
<th>No</th>
<th>Questions</th>
<th>Disagree</th>
<th>Disagree Strongly</th>
<th>No Opinion</th>
<th>Agree</th>
<th>Agree Strongly</th>
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<tbody>
<tr>
<td>1</td>
<td>There are built-in analytical tools within PFM that enables trend analysis of various elements of fiscal operations at the ministry</td>
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<td>2</td>
<td>Through PFM, I am able to reconcile transactions data</td>
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<td>3</td>
<td>PFM accurately discloses the financial position of the ministry</td>
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<td>4</td>
<td>The PFM system enables me to generate custom reports for internal and external use</td>
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<td>5</td>
<td>I can easily access non-financial information such as employee number and cadre</td>
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<td>6</td>
<td>With PFM, I have at my disposal information that can quickly provide year to year balances which can be used for analysis throughout the year</td>
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<td>7</td>
<td>PFM offers real-time financial information that enhances my decision making abilities</td>
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</table>

Thank You