THE EFFECT OF PUBLIC FINANCE MANAGEMENT ACT, 2012 ADOPTION IN BUDGETING PROCESS BY COUNTY GOVERNMENTS IN KENYA.

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER 2019

DECLARATION

I declare that this is my work and has not been presented to any institution or university other than the University of Nairobi for examination.

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This research project has been presented for examination with my approval as the University Supervisor.

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ACKNOWLEDGEMENT

I wish to sincere acknowledge the people who supported me during this research endeavor. First, I thank God for all His provisions; secondly I appreciate my supervisor Dr. Kennedy Okiro for his commitment and guidance as I undertook the study. Finally, I appreciate my close friends who have been encouraging me throughout the research process.

DEDICATION

I wish to dedicate this project to my parents for their support and encouragement. I also dedicate the project to my siblings who stood by me, prayed for me and loved me unconditionally. May God bless you abundantly.

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ABBREVIATIONS AND ACRONYMS

ANOVA Analysis of Variance

CA County Assembly

CIC Commission for Implementation of the Constitution

CIDP County Integrated Development Plan

CRA Commission of Revenue Allocation

GDP Gross Domestic Product

GoK Government of Kenya

IMF International Monetary Fund

MCA Member of County Assembly

OECD Organisation for Economic Co-operation and Development

PFM Public Finance Management

RoK Republic of Kenya

SPSS Statistical Package for Social Sciences

USA United States of America

ABSTARCT

The objective of the study was to find out the effect of PFM Act 2012 adoption in budgeting process of county governments in Kenya. Forty seven (47) questionnaires were administered and the researcher received 45 properly questionnaires hence giving a response rate of 87.23% response rate. Reliability test recorded Cronbach's Alpha co-efficients greater than 0.07 indicating that the questionnaire used was internally consistent. Adoption of PFM Act (2012) was found to strongly (R= 0.725) influences the budgeting process of the county governments in Kenya influencing 52.6% of the changes in county budgeting process. ANOVA recorded a significance values indicating that the regression model can be reliably in establishing the effect of PFM Act 2012 adoption on the budgeting process by the county governments in Kenya. The study also established that openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments influences budgeting process positively and in a statistically significant way.The study concludes that adoption of PFM Act (2012) was found to strongly influence the budgeting process accounting for 52.6% of the changes in budgeting process in the county governments. Further, the regression model used can be reliably used in establishing the effect of PFM Act 2012 adoption on the budgeting process by the county governments in Kenya. The study also concludes that openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments influences budgeting process positively and in a statistically significant way.The study therefore recommends that in order to streamline the county budgeting process, openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments should be adhered to as envisioned in the PFM Act (2012). The respondents being senior civil servants in the county governments had busy schedules which delayed the data collection process. The researcher exercised patience and kept reminding the respondents of the tight academic deadlines under which the research was being undertaken.The study suggests that future studies should try to establish the other factors that influence the county governments budgeting process sinceadoption of PFM Act (2012) only influenced 52.6% of the budgeting process.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The public finance management scene is rapidly evolving and getting unpredictable owing to advances in technology and activities linked to globalization as accentuated by Oduor, Wanjiru&Kisamw, 2015) The prevailing situation has institutionalized the ideals of enforcement of statutory provisions as a measure of forcing compliance with the demands of fiduciary in line with the ideals of ensuring value for public money (Bonventure, 2015). This has thus called for changes in the statutory environment globally in line with the demands as is evidenced by the public governance management act adopted in our constitutional order (IMF & IDA, 2014; World Bank, 2015).

The study was based on three theories which are fiscal decentralization theory as pioneered by Musgrave (1959) in line with the adoption of the decentralized form of governance. The second theory is the fiscal interest theory by Weingast (2009). This theory calls for taxdecentralization by directly linking the impact of spending policies with the revenue budgets thus giving impetusto focus on policies that enhancegrowth-, reduce rent-seeking and waste in government (Musgrave & Musgrave, 1984; Oates, 1999).The third theory is allocative efficiency theory.This theory is of the view that decentralization can help government focus on eradicatingcorruption in government (Ostrom, Schroeder & Wynne, 2011).

The adoption of devolution as a governance model as espoused by the Constitution of Kenya (2010) has created the need to employ in public finance management in the wake of determination of envisaged results in terms of the budgeting function (World Bank, 2016). Many counties in Kenya have had challenges in effective budgeting and execution as evidenced by exhaustion of resources before end of the budgeted financial years (CRA, 2015; GoK, 2014). The challenges arise from occasions of delays in funds disbursements, disbursements being done in tranches, differences between the county assemblies and the executives delaying the appropriations bills and shortfalls in the government revenues are some of the challenges hindering effective implementation of county budgets (Mutua & Wamalwa, 2017).

1.1.1 Public Finance Management Act, 2012

Public Financial Management (PFM) entails public sector resource mobilization programs and expenditure management whilst taking care of the development process (KIPPRA, 2015). In the republic of Kenya, anelaboratestatutory framework anchoring public finance management in the devolved and national government is in place. In Kenya, the spirit guiding public finance management is anchored on Chapter 12 of the constitution which advocates for "openness, accountability and promotion of an equitable society" in public expenditure programmes (GoK, 2016).

The adoption of devolution as a governance model as espoused by the Constitution of Kenya (2010) has created the need to employ optimal public finance management as a measure of assured coordination and planning in the wake of determination of envisaged results in the county government budgets (World Bank, 2016). The county governments are obligated by law to formulate budgets within the confines of the PFM, 2012. The fiscal appropriations plans should be in line with the county integrated development plans(Omolo, Macphail & Peixoto, 2016).

However, the instances of cases of financial challenges being flagged by the Auditor General and Controller of Budget the especially on the issue of failure to abide by the set statutes have been many as confirmed by the Transparency International (2016). Cases of shortfalls in the budgets in terms of inherent deficits to the levels of failure to meet obligations like salaries and wages and statutory deductions have equally been cited. The foregoing depicts entrenched systemic weaknesses as regards adoption and conformity to the ideals of the PFM Act 2012 and this underpins the motivation to find out the "the effect of PFM Act 2012 adoption in budgeting process by county governments. The need to confirm the adoption of the PFM Act 2012 envisioned in the budgeting function is the core of the study.

1.1.2 Budgeting Process

A survey by KIPPRA (2016) of the budgeting process by county governments countrywide had mixed results in regard to putting in place budgeting processes which are strictly within the confines of the law. There were few counties with the requisite budget documents such as budget estimates and budget review and outlook papers as per the PFM Act 2012 were few. This had greatly impaired the budgeting process in the counties causing lapses in the expenditure programmes.Inadequacies in terms of the personnel skills sets, failure to link technical capacities and policy provisions for planning and budgeting in line with the specific cost items in the County Integrated Development Plans (CIDP) has equally been a challenge (Mwaura, 2016).

Research has also shown that the counties in the republic of Kenya had challenges as regards mobilization of their own sources of revenues thus making them dependent on the national government for most of the revenues appropriated for(World Bank, 2016).The prevailing situation has been brought forth by the failure to automate revenues collection, negation of the compliance standards and not sensitizing the public on the civic duty entailing willful tax payment(IMF & IDA, 2014).This has severely impacted negatively on the provisions for own source revenues.

1.1.3Public Finance Management Act 2012 and Budgeting Process

PFM Act (2012)is an elaborate statutory framework anchoring PFM in the devolved and national government of the republic of Kenya.The county governments are obligated by law to formulate budgets within the confines of the PFM, 2012. The fiscal appropriations plans should be in line with the county integrated development plans (Omolo, Macphail & Peixoto, 2016).

Since the advent of devolution, there has been a lot of hue and cry pertaining to the budget making process not being in conformity to the demands of the PFM Act 2012. This is aptly captured in the yearly reports of the Auditor General’s Office depicting unauthorized expenditures in the budgets by county governments thus exemplifying the existence of gaps in the budgeting processes. Implementation of the PFM Act (2012) is envisaged to streamline and improve the budget making process.

Counties as the basic units of devolved governance are provided for by the Kenyan 2010 Constitution. For administrative purposes Kenya is divided into 47 counties (GoK, 2010). All the counties are governed as per the Constitution of Kenya (2010) and the County Government Act (2012). Each County government consist of the executive and the county assembly. Part XI of the County Government Act obligates all the county governments to make provisions for fiscal appropriations in the name of the budgets. This fact underpins the importance of the budgeting by the county governments.

A critical facet of the budgeting process ishaving the fiscal appropriations which adhere to the dictates of the PFM Act 2012 (RoK, 2016). All the county government in Kenyaput in place the required fiscal plans annually since the advent of devolution in the name of the appropriations bills before spending the resources allocated by the treasury and those raised from the local sources. The need to find out the extent to which the same is in conformity to the statutes in place has thus prompted the current study which seeks to find out the effect of PFM Act (2012) adoption in budgeting process by counties.

1.2 Research Problem

Concerns have been rising globally due to failure to achieve intended ideals in public finance management despite putting in place robust activities to assure effective financial management processes in terms of budget making practices in the public sector (Wang &Ngomuo, 2015). This can be attributed to the rapidly evolving the public finance management scene as a result of changes in technology increased globalization (Oduor, Wanjiru & Kisamwa 2015).

The public PFM Act(2012) was enacted in the republic of Kenya as a statutory anchorage to deter cases of inefficiency as regards public finances in the republic of Kenya. This was at the advent of devolution which was adopted as a means of revolutionizing the governance prism as regards equity in terms of resources sharing countrywide. However, the budgeting process in the counties has been mired in challenges especially with regards to the need to having the appropriations made conform to the spirit and letter of the law. This has dampened the resolve and spirit of the act negatively affecting the service delivery standards in terms of the value for money intended for public use (Mutua, & Wamalwa (2017).

Numerous studies have been done globally and locally on this concept. Globally, Srithongrung (2017) evaluatedperformance-based budgeting (PBB) reformsamongcountriesin Asian. Audeh (2014) researched on the obstacles faced in Jordan during preparation and implementation of budgets. Baskaran and Feld (2013) did a research onthe association between OECD countries economic growth in and fiscal decentralisation between 1975 and 2001. Thiessen (2003) also to establish if there is an optimumin fiscal decentralization and 'rich' OECD countries economic growth.Lastly, Atlas, Gilligan, Hendershott and Zupan (1995) studiedhow USA federal government spending sliced among different states.While these studies looked into budgeting process and fiscal decentralization, they never addressed the principles of public finance management laws and how they influence budget making processes.

Locally, M’Nyiri and Ngahu (2018) researched on the how a financial management practice affectsservice deliveryin Nakuru East’s public health facilities. Mogaka, Mogwambo and Atambo (2016) carried out a study on how financial planning practices influencesKenya's county governments'performance. Cherotich and Bichnga (2016) researched on the factors influencing effectiveimplementation of IFMISin counties. Further, Mutuma (2016) sought to determine the challenges faced in Meru County duringpreparation and budget implementation of county budgets.Lastly, Njenga, Ometeand Omondi (2014) studied the association between Kenya's economic performance and reforms in public financial management. While these studies were carried out locally, they only focused on financial management practice, financial planning practices, implementation of IFMIS and challenges faced during preparation and implementation of county budgets. The closest study was that of Njenga et al. (2014). However, although the study focused on public financial management, it never related it to financial management. Therefore, none of the studies reviewed, either global or local has focused on the effect of PFM Act 2012 adoption on the budgeting process of the county governments in Kenya. This study aimed at answering: what is the effect of PFM Act 2012 adoption in the budgeting process by the county governments in Kenya?

1.3 Objective of the Study

To find out the effect of PFM Act 2012 adoption in budgeting process by thecounty governments in Kenya.

1.3.1 Specific Objectives

i. The find out the effect of openness and accountabilityin adoption of the PFM Act 2012 in budgeting process by thecounty governments in Kenya.

ii. To determine how the relationship between the County Assembly and the Executive affects adoption of the PFM Act 2012 in budgeting process by thecounty governments in Kenya.

iii. To investigate how public participation affects adoption of the PFM Act 2012 in budgeting process by thecounty governments in Kenya.

iv. To explore how disbursements by the national government affect adoption of the PFM Act 2012 in budgeting process by thecounty governments in Kenya.

1.4 Value of the study

The study may contribute to improved thresholds as regards adoption of the PFM Act, 2012 in budgeting process by Kenya's county governments. This is because the recommendations envisaged from the study herein may spur some paradigm shift in the budgeting process owing to the adoption of the statutory provisions. This may have the net effects of cascading to the tax payers in terms of the quality of services rendered.

The study may raise social consciousness as regards public participation in the budgeting process. This is as entails the input of the public in the budgets actualized by the county governments. This is because the same is a cardinal requirement but it is not undertaken in many instances and when carried out it's neatly choreographed affairs involving some select members of the public. The recommendations of this study may thus effectively spur some change of tact by the county governments.

Existing literature in the field of budgeting in line with the demands of the PFM Act 2012was enriched. The study may as well add to the existing knowledge on county governments and vis a vis the realization of its ideals in the name of making sound budgetary appropriations in the targeted projects. This may improve the body of scholarly works in the study area since devolution is a nascent phenomenon and budgeting in line with the statutory provisions plays a big pivotal in the success of devolution.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Theories and empirical literature concerningadherence to PFM Act 2012 during budgeting by county governments is reviewed in this chapter.Key section of the chapter includes; theoretical review, budgeting process determinants, empirical review and then literature reviewsummary.

2.2 Theoretical Review

The study was based on the fiscal decentralization theory, fiscal interest theory and then theallocative efficiency theory.

2.2.1 Fiscal Decentralization Theory

The fiscal decentralization theory was pioneered by Musgrave (1959). The theory argues that the advent of fiscal decentralization which in this case the study is identifying as the devolved governance structure creates an environment of distribution of the taxation authority and expenditure capacities of the semi-autonomous units as posited by Musgrave (1959) and Oates (1972). The theory's proponent argued that the tax distribution enhances equity in terms of the sharing of the national wealth by the exchequer and equally brought forth the responsibility of fiduciary demands in terms of budgeting (Ligthart&Oudheusden, 2017).

The theory further affirms that the ability to understand the local issues enhances efficiency with regards to the distribution of fiscal resources to the local communities as pertains to the budgeting as was the position taken by Klugman (1994). This assures the populace of greater access to services driven by the efficiency and equitable distribution of wealth and opportunities for economic activities locally.Fiscal decentralization is equally anchored on the premise of spurring economic activities as a key tenet which assures the populace of opportunities requisite for wealth creation(Gemmell, Kineller&Sanz, 2013).

This theory is appropriate as it espouses on the importance of the distribution of the national income to the devolved units. The achievement of the ideals of fiscal decentralization which is the core tenet of devolution can only be done at the event of effective budgeting. This study aims at finding out how fiscal decentralization affectsadoption of the PFM Act (2012) in budgeting process by county governments in Kenya.

2.2.2 Fiscal Interest Theory

Fiscal interest theorywasdeveloped by Weingast (2009). The theoryadvocates for taxdecentralization by explicitly linking the influence of spending policies to revenue budgets hence providing an incentive to concentrate onpolicies that enhance growth; reducing rent-seeking and reducing waste in government (Musgrave & Musgrave, 1984; Oates, 1999). The proponents of the fiscal interest theory aver that fundingusing formula grants doesn't provide give an impetus that can foster growth and development. The influence of a region's economic policies ultimatelycontributes to theincrease in thenational revenue pool thus the essence of effective budgeting to spur growth of local revenues (Oates, 2005).

The fiscal interest theory furtherimplies that economic growth should be greaterwhere taxation is decentralized such as indevolved units as this takes cognizance of the need to motivate the growth of local revenues (Tanzi, 1996). Tax decentralization with biased in favour of local productive spending thus the core of the fiscal interest theory with a view of having the sub-national governments sharethe national resources with the rest of the nation as percentage of the extra revenues collected. Increasing the percentage of equalization fund is equivalent to reducing the revenue of the subnational governments (Bird & Michael, 2002).

The theory is appropriate to this study as it identifies with the aim of the study which is adoption of the PFM Act 2012 by county governments in budgeting. This ensures uniform development across all counties in line with the tastes and needs of the local populations owing to having the devolved units' budget in line with the available funds and provided grants from the national governments and other funding entities.

2.2.3 Allocative Efficiency Theory

The allocative efficiency theory was developed by Farrell (1957).The theory suggests that decentralization as anchored in devolution has a focus on minimizing corruption that is usually rampant government (Ostrom, Wynne &Schroeder, 2011). Sub-national unitsbeing closer to the citizens, implies that citizens are more aware of sub-national governments than the national governments. Devolvement of functions to smaller units that are closer to the citizens increaseslegitimacy and enhances consensus when choosingpublic services and the determination of projects to be carried out as envisaged in the budget making. In turn, this can foster cooperation, vigilance, acceptance and adherence to rules of fiscal management integrityand transparency (Gertler & Sanderson, 1987; Allan. 1996).

Proponents of this theory further argue that decentralization often leads to improved efficiency in the allocation resources(Atlas & Zupan, 1995). Efficient in the delivery of public service varies across jurisdictions due tocost differentials and differences in preferences.Allocative efficiency calls on the central government to monitor devolved units as entails their budgets and expenditure plans which should be visualized based on the outputs in terms of the execution and effective implementation of projects. Allocative efficiency also equally calls for accountability and the full disclosure of expenditure plans to the public which is within their constitutional rights of access to information as regards the knowledge on how public resources have been appropriated (Premchand, 1999).

The appropriateness of thetheory to this study is grounded on the fact that the essence of adherence to the PFMAct 2012 by county governments in budgeting can only be achieved at the advent of giving the masses an assurance of their capacity to ensure efficientallocation of public resourcesas stipulated by in the appropriate statutory provisions. This can be attainedby making the budget making process to be in line with the appropriations bill as regards the requisite statutory thresholds.

2.3 Determinants of the Budgeting Process

Determinants of the Budgeting Process of discussed here include openness and accountability, the relationship between the county assembly members and the county executive, public participation and disbursements of funds by the national government.

2.3.1 Openness and Accountability

There has been increasing awareness around the world in regard to the need for better governance and accountability in the management of public finances. Numerous countries have been putting a lot of efforts towards eradicating corruption by enhancing detection mechanisms and reducing the incentives that propel people to engage in corrupt deals. However, a lot still remains to be done in this endeavor (International Federation of Accountants, 2019). According to the Constitution of Kenya (2010), public finance management is supposed to adhere to the openness and accountability principle in the management of public finances.

Public officers given the responsibility formanaging the finances are accountable to the publicthroughthe County Assemblies and the national parliament. County accounting officer are accountable to the countyassembly for ensuring that the county resources are used in lawful, authorised, effective, efficient, economical and transparent manner. The accounting officersare supposed to ensure that the counties keepappropriate financial andaccounting records that are also adequately protected andbacked up electronically. They are also responsible for ensuring that all applicable accounting proceduresare followed when acquiring or disposing of goodsand services (PFM Act, 2012).

2.3.2The Relationship between the County Assembly and the Executive

The nexusbetween thecounty executive and the MCAs greatly influences the budgeting process (Thiessen, 2003). According to Thornton (2007), the association between the central governments and county assemblies affects budgeting in devolved governance jurisdictions. In the event of harmonious relations between the two tiers of government, budgeting and disbursements of the budgeted funds is bound to be seamless.

In Kenya, County Assemblies are charged with the responsibility scrutinisingthe fiscal appropriations estimates once formulated by the executive with an aim of approval, amending and passage of the relevant appropriations statutes requisite for implementation of the budgets. In this case, there ought to be a cordial working relationship between the county executives and the assemblies in the quest to assure the harmonious passage of the budgets (Oduor, Wanjiru & Kisamwa, 2015).

2.3.3 Public Participation

Public participation is a pivotal factor in the budgeting process as optimal participation by the public reduces instances of fractious processes and the budgets captured the wishes of the masses (Audeh, 2014). The essence of assuring public participation is requisite in the quest to have openness in budget making. According to a study carried out in Washington DC by Baskaran and Feld (2013), public participation is of essence in the determination of the appropriations to be made to the various votes.

In the Kenyan situation, the Constitution of Kenya (2010)clearly stipulates that County Assemblies should capture the views of the public while formulating the budget estimates of the county governments by way of assuring public participation (Constitution of

Kenya, 2010). This is by virtue of the fact that the MCA’s have a constitutional contract with the public thus the need to ensure their views are captured in the budget making process (The County Government Act, 2012). The MCA’s are equally charged with a legal duty to consult the electorate with a view of getting their sentiments incorporated in the budget making process (Wang’ombe&Kibati, 2017).

2.3.4 Disbursements of Funds by the National Governmentto the Counties

The mutualism between the central and regional governments ensures that the financial disbursements made to the devolved governments by the central governments reached the intended targeted areas and is used effectively (Weingast, 2009). Putting in place the requisite provisions in terms of statutes guiding the mechanisms of transmitting the resources to the devolved units secures the provisions made as per the law.

In the local Kenyan situation, the national government has a constitutional obligation to disburse funds to the counties following the enactment of the division of revenue bill and assentment into law by the president. Disbursing funds from national government to the devolved government is taken care of by way of statutory provisions anchored in law to cushion the devolved units from any inherent risks (Omolo, Macphail &Peixoto (2016). The disbursement of the funds should be done in a timely manner to assure the realization of its ideals by way of having it meeting the essence of its usage as is the position taken by the World Bank, (2016).

2.4Empirical Review

This section discussed the relevant empirical literature in regard to the budgeting process by county governments. The discussed literature consists of both local and global studies.

2.4.1 Global Studies

Srithongrung (2017) evaluatedperformance-based budgeting (PBB) reformsamong countries in Asian. The study looked at how performance-based budgeting affects spending structure among 11 Asian countries central governments over an 18-year period. The study was based on the hypothesis that performance-based budgeting doesn't permanently alter the spending structure due lack of clear nexus between performance and resource allocation. The studyestablished that performance-based budgeting only temporarily alters the spending size of the governments without altering the structure of the baseline budget.

Audeh (2014researched on the obstacles faced in Jordan during preparation and implementation of budgets. A Case Study: Greater Irbid Municipality".This objective of the study was to identify obstacles hindering preparation and implementation of budgets in Jordan's Greater Irbid Municipality. The study used a sample of 100 respondents who were employees of the Greater Irbid Municipality. The study employed an analytical descriptive method. It was concluded that the key obstacle include lack of awareness of the importance of budget; lack of practical and scientific qualifications, lack of technical capacity, unrealistic budget estimations and behavioral traits of the respondents.

Baskaran and Feld (2013) did a research to establish the relationship between OECD countries economic growth and fiscal decentralization between 1975 and 2001. The study used a panel data on the sub-federal tax autonomy. The study also used an endogenous econometric growth modelwhich insinuates that economic growth is permanently influenced by fiscal decentralization given government size.It wasconcluded that there fiscal decentralization isn't related to local economic development. This was despite earlier estimations suggesting that fiscal decentralization causes lower economic growth rates.

Thiessen (2003) sought to establish if there is an optimum in between fiscal decentralization and 'rich' OECD country'seconomic growth. The study was an empirical analysis. Fiscal decentralization was measured usingexpenditures local government to expenditures total government ratio while per capita economic growth was proxied by two determinants of growth, which were technical progress and investment ratio. The hypothesis for the study was that relatively increasing decentralization to a low degree spurs growth, but further decentralization lead to decline of growth. It was established that low degree in fiscal decentralisation stimulates economic growth. It was also established that there exists a point beyond which economic growth doesn't result from the decentralisation process.

Atlas, Hendershott,Gilliganand Zupan (1995) did a studyon who wins, loses and why during the federal government spending in USA: who wins; who loses; and why". The study looked at the budgeting process in the USA and confirmed that the competency of the members of congress determines the quality of the budgets made. The study which looked at the extent to which the assertive nature of the populace determined the budgets via the public participation recommended enhanced civic education as a measure of assured improvement of the quality of the congress membership. It was also found out that per capita federal spending is higher in states with higher senate representation per capita.

2.4.2Local Studies

M'Nyiri and Ngahu (2018) researched on the how a financial management practice affectsservice delivery in Nakuru East's public health facilities. The study used a descriptive survey design and targeted 211 respondents. Stratified random sampling and purposive techniques were used to select 68 respondents. Structured questionnaire wasused toget the primary data. The collected data was analysed using descriptive and inferential statistics. Apositive relationship that was significant was noted between service delivery and financial accountability with financial management practices explaining 39.9% of the Public Health Facilities service delivery.

Mogaka, Mogwambo, and Atambo (2016) did a study to find out how the performance of county government is influenced by financial planning practices adopted. The study research used a descriptive design. The study targeted a total of 244 respondents. Data was analyzed using inferential statistics and descriptive statistics leading to generation of a suitable regression model. The study established that the unemployment situations and the need to bridge social inequalities in terms of availingresources to the communities in the name of job creation makes many politicians promise the same during the electioneering periods making the counties employment bureaus at the expense of provision of funds for development is thus imminent.

Cherotich and Bichnga (2016) did a researched on the factors that influence effective implementation of IFMISin Kenya's county governments. The objective of the study was to find out how development of human capital, technological infrastructural development, change in management and commitment oftop management influences county governments’ effective implementation of IFMIS. The study targeted five counties namely: Kericho, Bomet, Narok, Kisii and Nyamira. Descriptive statistics was used in this study. The study’s target population consisted 180 of IFMIS users in the five county governments. Questionnaires were used to collect the data while descriptive statistics was used to analyse it. The study concluded IFMIS implementation has not been done effectively in most counties.

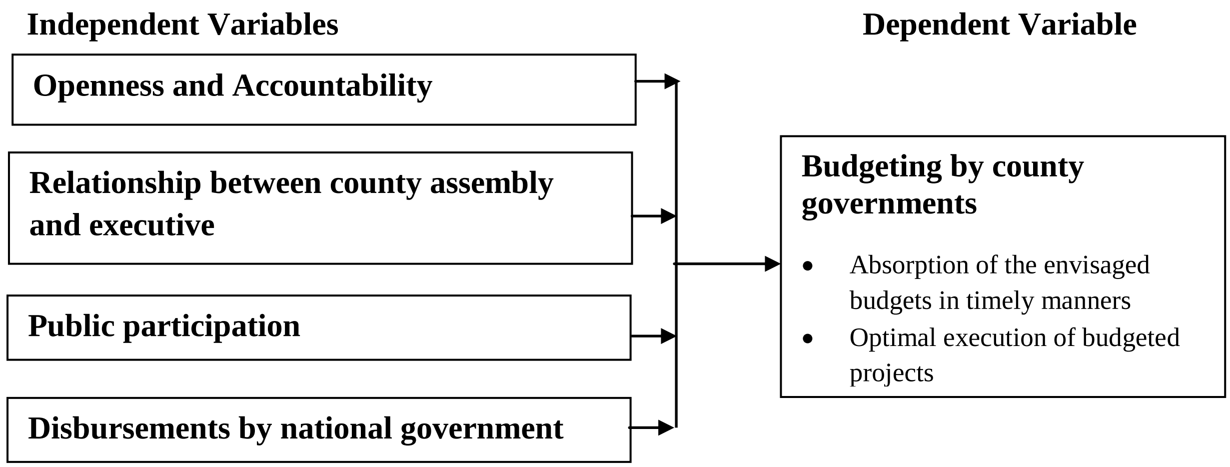
Mutuma (2016) sought to determine the challenges faced in Meru County duringpreparation and budget implementation of county budgets. The design employed descriptive.Eighty (80) members of staff in 13 departments of Meru County formed the targeted population. Questionnaires were hand delivered to a sample of 40 respondents. The relationship between the variables was tested using a regression model. It was concluded that IFMIS capacity, institutional constraints and audit and oversight function constituted the bulk of the challenges hindering implementation of budgetin Meru County.

Njenga, Omete andOmondi (2014)studied the association between Kenya’s economic performance and reforms in public financial management. Economic performance was measured using results of performance contracting while financial reforms were denoted by accounting reforms, budgetary reforms and auditing reforms. The target population consisted of 42 government ministries and departments with a focus Ministry’s headquartered in Nairobi County. The study used both primary andsecondary collected between financial years 2007/2008 and 2011/2012. Ordinaryleast squares technique was used to analsyse the data. The study found out that the incompetency of the budget officers severely compromised the quality of the budgets made.

2.5 Conceptual Framework

In this study the dependent variable is budgeting process of the county governments while the independent variable is the PFM Act 2012implementation as indicated by competency of MCA's, relationship between county assembly and executive, public participation and disbursements by national government. The theoretical expectation is that effective PFM Act 2012implementation of the has a positive effect on the budgeting process of the county governments. Figure 2.1 shows the conceptual model.

Figure 2.1: Conceptual Model



2.6 Summary of LiteratureReview

Global studies focused) evaluationof performance-based budgeting (PBB) reforms (Srithongrung, 2017); obstacles faced in Jordan during preparation and implementation of budgets(Audeh, 2014); thecorrelation between OECD countries economic growth and fiscal decentralization (Baskaran &Feld, 2013); optimum in fiscal decentralization and 'rich' OECD countries economic growth (Thiessen, 2003) and slicing of the federal government net spending in USA (Atlas, Gilligan, Hendershott & Zupan, 1995). Local studies focused on the impact of financial management practice on service delivery in Nakuru East's public health facilities (M'Nyiri&Ngahu, 2018); county governmentsperformance and financial planning practices (Mogaka, Atambo & Mogwambo, 2016); andfactors influencingcounty governmentseffective implementation ofIFMIS(Cherotich & Bichnga, 2016);budget implementation challenges in the public sector (Mutuma, 2016)None of the global or local studies reviewed focuses on the effect f PFM Act 2012 adoption on the budgeting process of the county governments in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section describes the research design, data collection, target population, diagnostic tests and data analysis.

3.2 Research Design

Descriptive research design wasemployed in this study in finding out the extent to which the adoption of the PMF Act 2012 affectsthe budgeting process by County Governments. A descriptive survey design entails collecting data from a representative sample of the target population through distribution of questionnaires or by conducting interviews. This design is appropriate for thisstudysince the researcher was able to collect data and analyseit in a standardized way without any unnecessarily manipulating the study variables.

3.3 Target Population

The study targeted all the Kenyan county governments. There were 47 counties in Kenya according to the constitution of Kenya as shown in Appendix II. Given the relatively small target population, this study shall be a census. This implies that all the county governments were considered during the administration of the questionnaires. Specifically, the study was targeting the senior most account in each county government.

3.4 Data Collection Procedures

This study used primary data collected from the responds using a structured questionnaire.The questionnaires werehand delivered to the respondents and collected later once they are appropriately filled. The administration of the questionnaires were done at the convenience of the respondents to enhance the response rate since the respondents were state officers with busy schedules.

The questionnaire shown in Appendix I was used to collect data from personnel in the departments directly in touch with the budgeting function. The questionnaires were suitable for this study as they allowedstandardised data collection as well as anonymity of the respondents (Orodho, 2005). The questionnaires shallhave demographics questions in the first section and then the second section shall contain questions on the budgeting process in line with PFM (2012).

3.5 Diagnostic Tests

3.5.1 Validity and Reliability

The questionnaires wereby pre-tested amongrespondents who won't be considered during the final administration of the questionnaires. This shall help in enhancing the validity of the questionnaire. Changes were doneon the questions where deemed necessary after pre-testing. Reliability of the research instrumentswere tested using the test retest method. The questionnaire werepre-test among the respondents and then retested laterto check if there are variations in the responses. ACronchbach Alpha coefficient 0.7 or more was used.

3.5.2 Homoscedasticity

Homoscedasticity was tested as regards to the ability of getting the residuals equally distributed as pertains to the variances along the line of best fit remaining similar. In other words, homoscedasticity measures the equality of error variances. Inthis study, equality of error varianceswaschecked using Levene's Test.

3.5.3 Multicollinearity

Multi-collinearity was tested by way of determining the extent to which predictor variables correlate. The test was applied to confirm the best of fit of the regression model. In the case of the study, the need to accurately determine the association between the outcome variable and the predictor variable in making the statistical inferences was the driving factor. Multi-collinearity test was done to obtain Tolerance and Variance Inflation Factor (VIF) statistics. VIF values greater than3 would be an indicator of multi-collinearity issues among the variables.

3.6 Data Analysis

Descriptive analysisand inferential statisticswas used to analyse the data. Background data wasanalysed using descriptive statistics. Relationship between variables were tested using inferential statistics such as regression analysis and Analysis of Variance (ANOVA).

The relationship between PFM Act (2012)and budget making process was checkedusing an analytical model.The hypothesized model shalltake the form of equation shown below.

$Y = \alpha_0 + \beta_i X_1 + \beta_{ii} X_2 + \beta_{iii} X_3 + \beta_{iv} X_4 + \varepsilon_0$

Where;

Y = Budget making,

α_0 = constant showing budgeting in the event of non-adoption of the Public Finance Management Act, 2012,

β_i = Coefficient of the independent variables

X_1 = Competency of the MCA's,

X_2= Relationship between the county assembly and the county executive,

X_3 = Public participation

X_4 = Disbursements from the national to county governments

ε_0 = stochastic error term.

3.6.1 Test of Significance

The significance of the correlation between PFM Act (2012) and budget making processwas tested using a p-value equal to or less than 0.05. This was the case since all the computations weredone at 95% confidence interval. Analysis of Variance (ANOVA) with an F statistics of 5% was used to test the regression model's goodness of fit.

CHAPTER FOUR: DATA ANALYIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

Results of the data analysis and subsequent discussion and interpretation are discussed in this chapter in regard to the effect of Public Financial Management (PFM)Act 2012 adoption on the budgeting process by the county governments in Kenya.Specifically, the study sought to establish how openness and accountability, county executive and county assembly relationship in budgeting, public participation in budgeting and disbursements of funds from national to county governments in budgeting influences the budgeting process among county governments. Frequencies and percentages were the descriptive techniques used to analyse the general information. Means and standard deviations were used to analyse the extent of adherence to the PFM Act (2012) by the county governments. The relationship between PFM Act (2012) and budget making process was tested using a regression.

4.2 Response Rate

A total of 47 questionnaires were administered to the senior most accountants in each County government. Table 4.2 shows the response rate.

Table 4.2: Response Rate

Response Rate	Frequency	Percentage
Filled and Returned	41	87.23
None Response	6	12.77
Total	**47**	**100**

Source: Research Findings (2019).

Forty five (45) questionnaires were properly filled hence a 87.23% response rate which the researcher considered adequate as per the 80% response rate suggested by Clarke, Edwards and Kwan (2002). None response accounted for 12.77%.

4.3 Diagnostic Tests

4.3.1 Reliability Test

The questionnaires reliabilitywas tested using a Cronbach's Alpha co-efficient equal to or greater than 0.7 being used as an indicator of internal consistency. The reliability results are in Table 4.3.1.

Table 4.3.1: Reliability Test

	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Budgeting process	.815	.794	
Openness and accountability	.817	.727	8
Relationship between the county executive and assembly	.834	.794	8
Public participation in budgeting	.851	.728	7
Disbursements of funds from national to county governments	.825	.799	5

Source: Research Data (2019).

Budgeting process recorded a co-efficient of 0.815 while openness and accountabilityrecorded a co-efficient of 0.817.County executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments recorded co-efficients of 0.834, 0.851 and 0.825 respectively indicating that the research instrument used was internally consistent.

4.3.2 Test of Homogeneity of Variances

Normality of the data collected was tested using Shapiro-Wilk and Kolmogorov-Smirnov tests. Table 4.3.2 tabulates the results.

Table 4.3.2: Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Budgeting process	1.351	5	40	.950
Openness and accountability	1.496	5	40	.230
Relationship between the county executive and assembly	3.253	5	40	.148
Public participation in budgeting	4.381	5	40	.113
Disbursements of funds from national to county governments	1.486	5	40	.230

Source: Research Findings (2019).

Budgeting process, openness and accountability, county executive and county assemblyrelationship, public participation in budgeting and disbursements of funds from national to county governments all recorded Levene's Statistic values with p-valuesgreater 0.05 indicating that presence of equal variances among the variables. This indicates presence of homogeneity among the variables.

4.3.3 Test of Multi-collinearity

The study further carried out multi-collinearity tests Tolerance and Variance Inflation Factor (VIF) statistics. VIF values greater than 3 would indicate that the variables being used have multi-collinearity issues. The results of the test are as shown in Table 4.3.

Table 4.3.3: Multi-collinearity Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Openness and accountability	.944	2.059
	Relationship between the county executive and assembly	.985	2.015
	Public participation in budgeting	.951	2.052
	Disbursements of funds from national to county governments	.978	2.023
a. Dependent Variable: Budgeting Process			

Source: Research Findings (2018).

Openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments recorded low VIF Coefficientsthat were less than 3 indicating absence of multi-collinearity among the variables.

4.4 Respondent Demographics

The study received demographic information about the respondent's pertaining gender, academic qualification, duration of working in the department, terms of engagement with the County government and awareness levelon the essence of the Public PMA Act (2012). The findings discussed in the following sections.

4.4.1 Gender of Respondents

The study got and analysed information in regard to the respondents' gender. The results are as shown in chart 4.4.1.

Table 4.4.1: Distribution by Respondents by Gender

Age Bracket	**Frequency**	**Percent**
Male	21	51.22
Female	20	48.78
Total	**41**	**100.0**

Source: Research Findings (2019)

The results indicate that most (51.22%) of the respondentswere of male gender while 48.78% were of female gender. These results indicate that gender parity was observed in the administration the questionnaires.

4.4.2Level of Education

The study further sought to establish the respondents' level of education. Figure 4.4.2 shows the results.

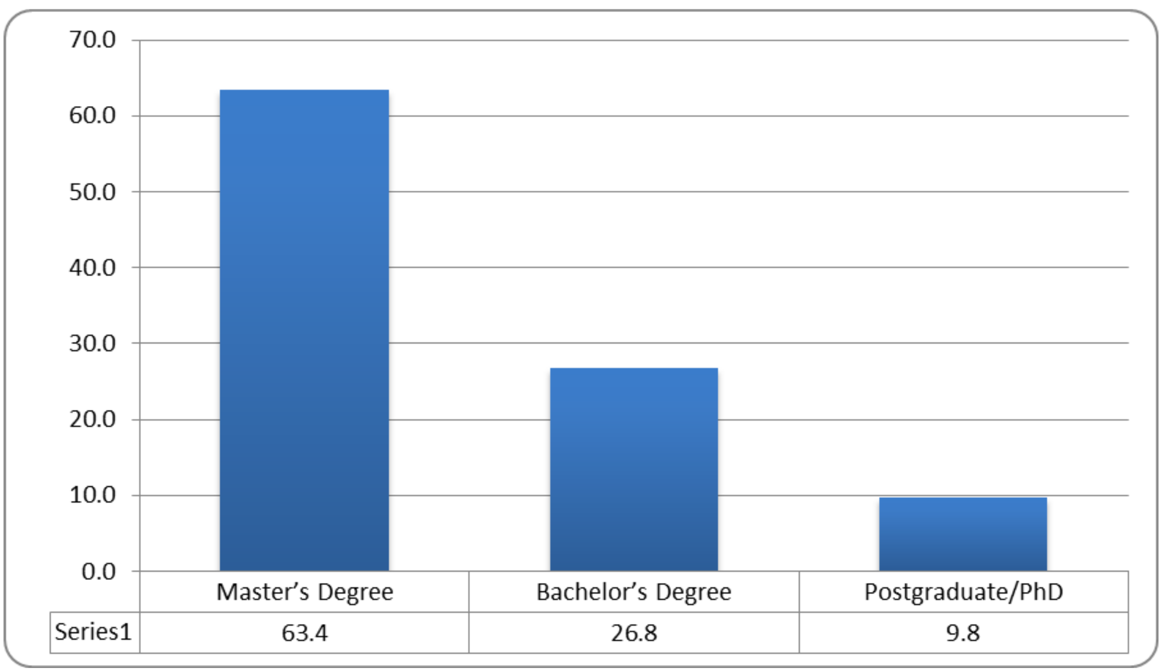


Figure 4.4.2: Level of Education

Majority (63.4%) of the respondents had a master's degree level of education followed by 26.8% who were university graduates. PhD holders accounted for 9.8%. These findings reveal the literacy levels of the responds were high enough to understand the researcher's question in regard to the effect of PFM Act 2012 adoption in budgeting process by the county governments in Kenya.

4.4.3Duration of Working in the Department

The study also sought to establish the Duration the respondents had been serving in their current department. Findings are as summarized in Figure 4.4.3.

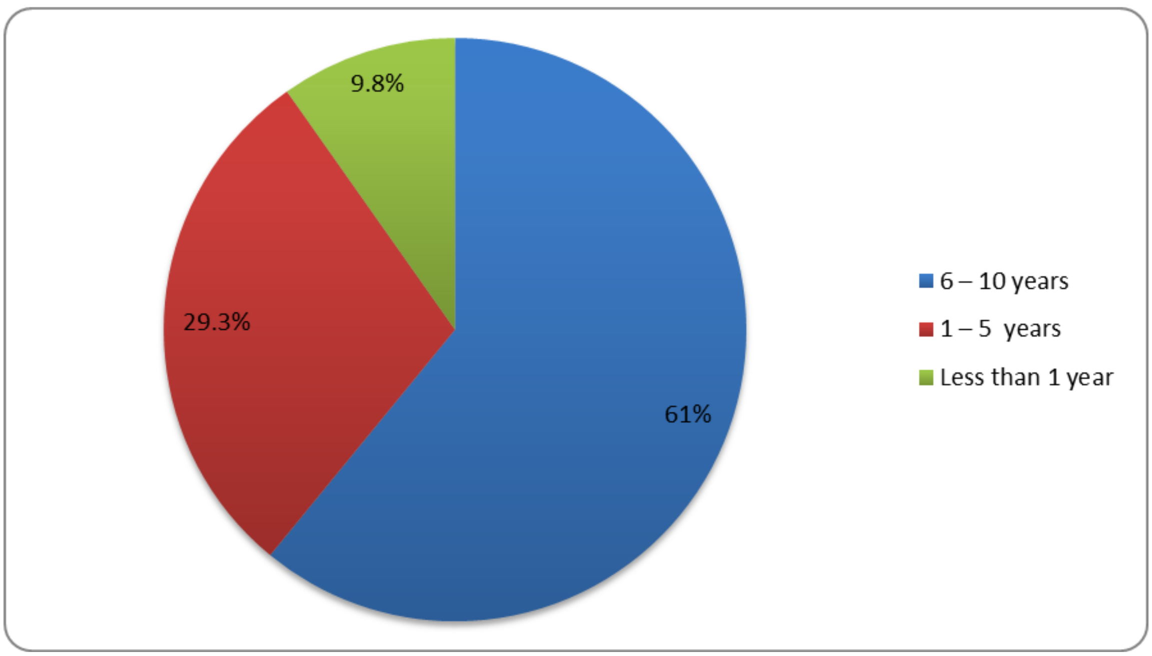


Figure 4.4.3: Duration of Working in the Department

Majority (61%) of the respondents had been working in their current departmental for 6-10 years followed by those who worked in their currents departments for 1-5 years. Only 9.8 had been working at their current stations for less than 1 year. These results show that the respondentshadsufficient working experience in their work stations to understand how implementation of PFM Act 2012 influences the county governments budgeting process Kenya.

4.4.4 Terms of Engagement with the County Government

The study further sought to establish the respondents terms of engagement with the county government. It was established thatall the respondents were on a permanent and pensionableterms of engagement with the county government. None of the respondents was on a permanent without pension, Contract or secondment from other entities arrangement. By virtue of their terms of engagement with the county government, it was evident that the respondents were in a position to understand how PFM Act 2012 can influence the county governments budgeting process.

4.4.5Awareness of the Essence of the PFM Act (2012)

The study further sought to know how the respondents rated the level awareness of the essence of the PFM Act (2012) in their County governments. Table 4.5.1 shows the results.

Table 4.4.5: Awareness of the Essence of the PFM Act (2012)

Years	**Frequency**	**Percent**
Excellent	30	73.17
Good	11	26.83
Poor	0	0.00
Total	**41**	**100.0**

Source: Research Findings (2019)

It was established that majority (73.17%) of the respondents rated the awareness of the essence of the PFM Act (2012) in their counties to be excellent. Those who felt the awareness was good accounted for 26.83. None of the respondents reported the awareness of the essence of PFMA Act (2012) to be poor.

4.5Principles of Public Financial Management Act (2012)

The extent of the respondents' agreement on various aspects of the PFM Act (2012) adoption.The extent of agreement used a Likert scale of 1-5 where: 1=Strongly Disagree; 2=Disagree; 3= Undecided, 4=Agree and 5=Strongly Agree. The mean scores computedwere interpreted as follows:

Table 4.5: Interpretation Scale

Scale	Interpretation
"1.00 - 1.49"	Strongly Disagree
"1.50 - 2.49"	Disagree
"2.50 - 3.49"	Undecided
"3.50 - 4.49"	Agree
"4.50 - 5.00"	Strongly Agree

Source: Researcher (2019)

4.5.1 Openness and Accountability

The respondents were requested to rate various attributes of openness and accountability during budget making as per the PFM Act (2012). Table 4.5.1 shows the average scores and the standard deviations.

Table 4.5.1: Openness and Accountability

Statement	Mean	Stdev
The county assembly is well versed with the legal requirements pertaining to accountability.	4.83	0.308
The county accounting officers understand the accounting procedures.	4.61	0.503
The county resources are used in lawful, authorised, effective, efficient, economical and transparent manner.	4.58	0.347

The counties keep appropriate financial and accounting records as required by the PFM, Act 2012.	4.55	0.489
The county accounting officers understand the statutory provisions guiding the budget making process.	4.44	0.427
The county have modalities for the induction of MCA's to assure that they are proficient in understanding the requisite statutes of budget making	4.18	0.682
The county financial and accounting records are adequately protected and backed up electronically.	4.23	0.469
The legal safeguards requisite for accountability of the county debt levels are well known by the accounting officers line with the PFM , Act 2012	4.17	0.328
Aggregated Mean	**4.45**	**0.444**

Source: Research Findings (2019)

Aggregated mean of 4.45 (*SD*= 0.444) was recorded indicating that the respondents were in agreement in regard to openness and accountability during budget making process following adoption of PFM Act 2012. The respondents strongly agreed that the county assembly is well versed with the legal requirements pertaining to accountability (*M*= 4.03, *SD*= 0.308). They also strongly agreed that the county accounting officers understand the accounting procedures (*M*= 4.61, *SD*= 0.403) and that the county resources are used in lawful, authorised, effective, efficient, economical and transparent manner (*M*= 4.58, *SD*= 0.347). The least rated statement was that the legal safeguards requisite for accountability of the county debt levels are well known by the accounting officers line with the PFM , Act 2012 (*M*= 4.17, *SD*= 0.328). The difference in respondents' opinions was evidenced by the standard deviations recorded.

4.5.2 County Executive and County Assembly Relationship

The respondents rated various statements in regard County executive and county assembly relationship. Table 4.5.2 shows the average scores and the standard deviations.

Table 4.5.2:County Executive and County Assembly Relationship

Statement	Mean	Stdev
The county assembly and the executive have put in place modalities for the approval of the annual appropriations bills without hitches in line with the PFM Act, 2012.	4.45	0.490
The county assembly doesn't always concur with the proposals made by the CECM-F on the revenue raising measures in line with the PFM Act, 2012.	4.25	0.517
All recommendations by the county assembly on the budget are approved by the finance executive in line with the spirit of the PFM Act, 2012	3.32	0.927
The county assembly always concurs with the executive on the total revenues as a measure of deterring financing gaps as envisaged in the PFM Act, 2012.	2.46	0.498
There have never been instances of financing gaps in the county owing to lack of concurrence between the assembly and the executive.	2.43	0.418
The relationship between the executive and the county assembly doesn't affect adoption of the PFM, Act 2012 in budgeting.	1.44	0.969
The County Assembly doesn't borrow from the County Fiscal Strategy Paper while making the financial appropriations in line with the PFM Act, 2012.	1.43	0.341
There have never been cases of disputes on the approval of the appropriations bill owing to a clash between the executive and the county assembly.	1.20	0.516
Aggregated Mean	**2.62**	**0.585**

Source: Research Findings (2019).

An aggregated mean of 2.62(*SD*= 0.585) indicatinglow level of agreement among the respondents in regard to the relationship between the county executive and county assembly. The most agreed on statement was that the county assembly and the executive have put in place modalities for the approval of the annual appropriations bills without hitches in line with the PFM Act, 2012 (*M*=4.45, *SD*= 0.490). The respondents were undecided in regard to the All recommendations by the county assembly on the budget are approved by the finance executive in line with the spirit of the PFM Act, 2012(*M*=3.32, *SD*= 0.927).However, the respondents strongly disagreed that there have never been cases of disputes on the approval of the appropriations bill owing to a clash between the executive and the county assembly (*M*=1.20, *SD*= 0.585). Variation in respondents the opinions is as shown by the standard deviations.

4.5.3 Public Participation in Budgeting

The respondents' level of agreement on various attributes of public participation during budget making as per the PFM Act (2012) was rated. Table 4.5.3 shows the results.

Table 4.5.3:Public Participation in Budgeting

Statement	**Mean**	**Stdev**
The public is involved in fiscal decision making processes entailing taxation and revenue raising in the county.	4.42	0.461
The county has put in place effective public participation mechanisms enough to assure openness in budget making in line with the PFM , Act 2012	4.33	0.215
The fiscal reporting mechanisms aren't clear in the budget making process and the public doesn't effectively understands them as is the spirit of the PFM, Act 2012.	3.60	0.204
The public doesn't monitor the budget implementation process effectively in line with the PFM, Act 2012.	3.44	0.634
The public is never involved in making recommendations on the projects that are carried out in their vicinities as envisaged in the PFM, Act 2012.	2.49	0.510
The County has never experienced challenges in assuring effective public participation standards attributed to inadequate institutional capacities in your county.	1.54	0.272
Public participation carried out by the county never affects the adoption of the PFM, Act 2012 in budgeting.	1.42	0.603
Aggregated Mean	**3.03**	**0.414**

Source: Research Findings (2019).

The aggregated mean of 3.05(*SD*= 0.414) indicates a high level of decidedness among the respondents in regard to public participation in budgeting. The most agreed on statement was that the public is involved in fiscal decision making processes entailing taxation and revenue raising in the county with a mean of 4.42(*SD*= 0.461) followed by the statement that the county has put in place effective public participation mechanisms enough to assure openness in budget making in line with the PFM, Act 2012 with a mean of 4.33(*SD*= 0.215). The most disagreed on statements were that the County has never experienced challenges in assuring effective public participation standards attributed to inadequate institutional capacities in your county (*M*=1.54,*SD*= 0.272) and that public participation carried out by the county never affects the adoption of the PFM, Act 2012 in budgeting (*M*=1.42, *SD*= 0.603).

4.5.4 Disbursements of Funds from National to County Governments

Lastly, the respondents rated various statements in regard to disbursements of funds from national to county governments.Table 4.5.4 shows the average scores and the standard deviations.

Table 4.5.4:Disbursements of Funds from National to County Governments

Statement	Mean	Stdev
The intergovernmental technical committee plays an effective role in terms of mediation and reducing the risks of disagreements in the determination of the funds to be disbursed to the counties thus assured meeting of budgetary obligations.	3.48	0.645
The monetary resources due to the county in form of the equitable share of revenue are always disbursed on time to assure effective budget implementation.	3.46	0.254
The conditional grants requisite for specific projects aren't provided in timely manners which ensure successful project implementation	3.27	0.449

Our county doesn't have own source revenues which are collected and banked for appropriation in budgetary processes.	1.65	0.642
Disbursements of funds from national to county governments don't affect adoption of the PFM, Act 2012 in budgeting.	1.63	0.493
Aggregated Mean	**2.70**	**0.497**

Source: Research Findings (2019).

An aggregated mean of 2.70(*SD*= 0.497) indicates that the respondents were undecided in regard to the timely disbursements of funds from national to county governments. The most rated statement was that the intergovernmental technical committee plays an effective role in terms of mediation and reducing the risks of disagreements in the determination of the funds to be disbursed to the counties thus assured meeting of budgetary obligations (*M*= 3.48, *SD*= 0.645). This was followed by the statement that the monetary resources due to the county in form of the equitable share of revenue are always disbursed on time to assure effective budget implementation (*M*= 3.48, *SD*= 0.645). The respondents disagreed on the statement that disbursements of funds from national to county governments don't affect adoption of the PFM, Act 2012 in budgeting.

4.6 Regression Analysis

Correlation betweenadoption of PFM Act 2012 and county budgeting process was tested using regression analysis.

4.8.1 Model Summary

Table 4.6.1 presents the model summary of the relationship between adoption of PFM Act 2012 and budgeting process of the county governments in Kenya.

Table 4.6.1 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725[a]	.526	.178	.234156
a. Predictors: (Constant), Openness and accountability, Relationship between the county executive and assembly, Public participation in budgeting, Disbursements of funds from national to county governments				

Source: Research Findings (2019).

The study established that adoption of PFM Act 2012 strongly (R= 0.725) influences the budgeting process of the county governments in Kenya. Further, the R-Square of 0.526 revealed that adoption of PFM Act (2012) influences 52.6% of the changes in budgeting process in the county governments in Kenya.

4.6.2 Analysis of Variance (ANOVA)

The analytical model was subjected to ANOVA to ascertain it's goodness-of-fit. Table 4.6.2 presents the results.

Table 4.6.2 Analysis of Variance (ANOVA[a])

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.722	4	.181	2.919	0.034[b]
	Residual	2.234	36	.062		
	Total	2.956	40			
a. Dependent Variable: Budgeting Process						
b. Predictors: (Constant), Openness and accountability, Relationship between the county executive and assembly, Public participation in budgeting, Disbursements of funds from national to county governments						

Source: Research Findings (2019)

ANOVA recorded a significance level of 3.4% and an F statistic of 2.919 indicating that the regression model can be used reliably in examining the effect of PFM Act 2012 adoption on the budgeting process by the county governments in Kenya.

4.6.3 Coefficients of Determination

The researchers further computed regression coefficients at confidence level of 95%. Table 4.6.3 shows the results.

Table 4.6.3: Coefficients of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.118	0.267		8.135	.000
	Budgeting process	.349	0.107	.125	3.262	.002
	Openness and accountability	.469	0.097	.227	4.835	.000
	Relationship between the county executive and assembly	.414	0.087	.214	4.759	.000
	Public participation in budgeting	.509	0.108	.325	4.713	.000
	Disbursements of funds from national to county governments	.478	0.121	.316	3.950	.000
a. Dependent Variable: Budgeting Process						

Source: Research Findings (2019).

The study established that Openness and accountability (β=0.469), County executive and county assembly relationship (β=0.414), Public participation in budgeting (β=0.509) and Disbursements of funds from national to county governments (β=0.478) influences budgeting process positively. Further, the was found to be statistically significant as evidenced by high t-stat values and p-values ≤ 0.05: Openness and accountability (t-stat= 4.835, p-value= 0.000), County executive and county assembly relationship (t-stat= 4.759, p-value= 0.000), Public participation in budgeting (t-stat= 4.713, p-value= 0.000) and Disbursements of funds from national to county governments (t-stat= 3.950, p-value= 0.000). The regression equation generated is as follows:

$$Y = -2.118 + 0.469X_1 + 0.414X_2 + 0.509X_3 + 0.478X_4$$

Where:

Y – Budgeting Process (the dependent variable)

X_1- Openness and accountability

X_2- Relationship between the county executive and assembly

X_3- Public participation in budgeting

X_4- Disbursements of funds from national to county governments

The constant value of -2.118indicates that in the absence of openness and accountability, county executive and county assemblyrelationship, public participation in budgeting and disbursements of funds from national to county governments, county budgeting process would be negatively affected.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Summary of findings, conclusions, study recommendations and suggestions for further research as well as limitations are presented in this chapter.

5.2 Summary of Findings

The study sought to find out the effect of PFM Act 2012 adoption in budgeting process by the county governments in Kenya. Specifically, the study sought to establish how openness and accountability, county executive and county assembly relationship in budgeting, public participation in budgeting and disbursements of funds from national to county governments in budgeting influences the budgeting process among county governments. Descriptive techniques such as frequencies and percentages were used to analyse the general information while means and standard deviations were used to analyse the extent of adherence to the PFM Act (2012) by the county governments.

Forty seven (47) questionnaires were administered and the researcher received 45 properly questionnaires hence giving a response rate of 87.23% response rate. Reliability test recorded Cronbach's Alpha co-efficients greater than 0.07 indicating that the questionnaire used was internally consistent. On the demographic information, the study established that gender parity was observed in the administration the questionnaires. Further, the respondent's had sufficient literacy levels and working experience to understand the researcher's queries in regard to the effect of PFM Act 2012 adoption in budgeting process by the county governments in Kenya. Further, all the respondents were on a permanent and pensionable terms of engagement with the county government with majority indicating that the awareness of the essence of the PFM Act (2012) in their counties was excellent.

Adoption of PFM Act (2012) was found to strongly (R= 0.725) influences the budgeting process of the county governments in Kenya influencing 52.6% of the changes in budgeting process in the county governments. ANOVA recorded a significance values indicating that the regression model can be reliably in establishing the effect of PFM Act 2012 adoption on the budgeting process by the county governments in Kenya.

The study also established that openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments influences budgeting process positively and in a statistically significant way.

5.3 Conclusion

The study concludes that adoption of PFM Act (2012) was found to strongly influence the county budgeting process accounting fo 52.6% of the changes in county budgeting process. Further, the regression model used can be reliably used in establishing the effect of PFM Act 2012 adoption on the budgeting process by the county governments in Kenya.

The study also concludes that openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments influences budgeting process positively and in a statistically significant way.

5.4 Policy Recommendations

Openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments were found to influence budgeting process positively and significant. The study therefore recommends that in order to streamline the budgeting process in the county governments, openness and accountability, county executive and county assembly relationship, public participation in budgeting and disbursements of funds from national to county governments should be adhered to as envisioned in the PFM Act (2012).

5.5 Limitations of the Study

The respondents being senior civil servants in the county governments had very busy schedules which delayed the data collection process. The researcher exercised patience and kept reminding the respondents of the tight academic deadlines under which the research was being undertaken.

The study was relying on primary data that was provided by the respondents. A common problem faced when using primary data is that the researcher has no absolute control on the accuracy of the data provided. The researcher sought the data from senior county officers to ensure the data provided was reliable.

5.6 Suggestions for Future Studies

The study established that the adoption of PFM Act (2012) influenced 52.6% of the budgeting process in the county governments. Future studies should try to establish the other factors that influence the county governments budgeting process other than the PFM Act (2012).

The scope of this study was on the adoption of PFM Act (2012) and budgeting process in the county governments. The study never looked at the sufficiency of the funds available to the counties for budgeting. A future study should focus on this area as this informed whether county governments are getting sufficient funding to drive development.

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APPENDICES

Appendix I: Research Questionnaire

1. Kindly indicate your gender

   Male ☐

   Female ☐

2. What are your highest academic qualifications?

   Tertiary ☐

   Graduate ☐

   Post Graduate Diploma ☐

   MA/MSC/MBA ☐

   Any other ___________________

3. How long have you worked in the department?

   Less than 1 year ☐

   1 – 5 years ☐

   6 – 10 yrs ☐

   11 – 15 yrs ☐

   Any other ___________________

4. Kindly indicate your terms of engagement in the organization?

   Permanent and pensionable ☐

   Permanent without pension ☐

   Contract ☐

   Secondment from other entities ☐

   Any other ________________

5. How would you rate the awareness of the essence of the Public Finance Management Act, 2012 as a statutory provision in budget making in your county?

   ____

Openness and Accountability

6. Kindly indicate your level of agreement with the following attributes of openness and accountability during budget making as per the PFM Act (2012).

SA – Strongly Agree A – Agree U – Undecided
DA – Disagree SDA – Strongly Disagree

Statement	**SA**	**A**	**U**	**DA**	**SDA**
The county accounting officers do not understanding the accounting procedures.	5	4	3	2	1
The county accounting officers understand the statutory provisions guiding the budget making process.	5	4	3	2	1
The county have modalities for the induction of MCA's to assure that they are proficient in understanding the requisite statutes of budget making.	5	4	3	2	1
The county resources are rarely used in lawful, authorised, effective, efficient, economical and transparent manner.	5	4	3	2	1
The county assembly isn't well versed with the legal requirements pertaining to accountability.	5	4	3	2	1
The legal safeguards requisite for accountability of the county debt levels are well known by the accounting officers line with the PFM , Act 2012	5	4	3	2	1
The counties keep appropriate financial and accounting records as required by the PFM, Act 2012.	5	4	3	2	1
The county financial and accounting records are not adequately protected and backed up electronically.	5	4	3	2	1

The Relationship between the County Executive and Assembly in Budgeting

7. Kindly indicate your level of agreement with the following attributes on the attributes on the relationship between the executive and the county assembly in adoption of the PFM , Act 2012 in budgeting -

   SA – Strongly Agree A – Agree U – Undecided

   DA – Disagree SDA – Strongly Disagree

Statement	SA	A	U	DA	SDA
The county assembly doesn't always concurs with the proposals made by the CECM-F on the revenue raising measures in line with the PFM Act, 2012.	5	4	3	2	1
The county assembly always concurs with the executive on the total revenues as a measure of deterring financing gaps as envisaged in the PFM Act, 2012.	5	4	3	2	1
The County Assembly doesn't borrow from the County Fiscal Strategy Paper while making the financial appropriations in line with the PFM Act, 2012.	5	4	3	2	1
All recommendations by the county assembly on the budget are approved by the finance executive in line with the spirit of the PFM Act, 2012	5	4	3	2	1
The county assembly and the executive have put in place modalities for the approval of the annual appropriations bills without hitches in line with the PFM Act, 2012.	5	4	3	2	1
There have never been instances of financing gaps in the county owing to lack of concurrence between the assembly and the executive.	5	4	3	2	1
There have never been cases of disputes on the approval of the appropriations bill owing to a clash between the executive and the county assembly.	5	4	3	2	1
The relationship between the executive and the county assembly doesn't affect adoption of the PFM, Act 2012 in budgeting.	5	4	3	2	1

Public Participation in Budgeting

8. Kindly confirm your level of agreement with the following attributes on public participation and its effects on adoption of the PFM , Act 2012 in budgeting -

   SA – Strongly Agree A – Agree U – Undecided

   DA – Disagree SDA – Strongly Disagree

Statement	**SA**	**A**	**U**	**DA**	**SDA**
The county has put in place effective public participation mechanisms enough to assure openness in budget making in line with the PFM , Act 2012	5	4	3	2	1
The fiscal reporting mechanisms aren't clear in the budget making process and the public effectively understands them as is the spirit of the PFM, Act 2012.	5	4	3	2	1
The public is neverinvolved in making recommendations on the projects that are carried out in their vicinities as envisaged in the PFM , Act 2012.	5	4	3	2	1
The public doesn't monitor the budget implementation process effectively in line with the PFM , Act 2012	5	4	3	2	1
The public is involved in fiscal decision making processes entailing taxation and revenue raising in the county.	5	4	3	2	1
The County has never experienced challenges in assuring effective public participation standards attributed to inadequate institutional capacities in your county.	5	4	3	2	1
Public participation carried out by the county neveraffects the adoption of the PFM, Act 2012 in budgeting.	5	4	3	2	1

Disbursements of Funds from National to County Governments in budgeting

9. Kindly give your levels of agreement with the following attributes on disbursements of funds from national to county governments and its effects on adherence to the PFM, Act 2012 in budget making:-

   SA – Strongly Agree A – Agree U – Undecided

   DA – Disagree SDA – Strongly Disagree

	SA	**A**	**U**	**DA**	**SDA**
The monetary resources due to the county in form of the equitable share of revenue are always disbursed on time to assure effective budget implementation.	5	4	3	2	1
The conditional grants requisite for specific projects aren't provided in timely manners which ensure successful project implementation	5	4	3	2	1
Our county doesn't have own source revenues which are collected and banked for appropriation in budgetary processes.	5	4	3	2	1
The intergovernmental technical committee plays an effective role in terms of mediation and reducing the risks of disagreements in the determination of the funds to be disbursed to the counties thus assured meeting of budgetary obligations.	5	4	3	2	1
Disbursements of funds from national to county governments doesn't affect adoption of the PFM, Act 2012 in budgeting.	5	4	3	2	1

Appendix II: List of Counties in Kenya

1. Mombasa
2. Kwale
3. Kilifi
4. Tana River
5. Lamu
6. Taita/Taveta
7. Garissa
8. Wajir
9. Mandera
10. Marsabit
11. Isiolo
12. Meru
13. Tharaka-Nithi
14. Embu
15. Kitui
16. Machakos
17. Makueni
18. Nyandarua
19. Nyeri
20. Kirinyaga
21. Murang'a
22. Kiambu
23. Turkana
24. West Pokot
25. Samburu
26. Trans Nzoia
27. UasinGishu
28. Elgeyo/Marakwet
29. Nandi
30. Baringo
31. Laikipia
32. Nakuru
33. Narok
34. Kajiado
35. Kericho
36. Bomet
37. Kakamega
38. Vihiga
39. Bungoma
40. Busia
41. Siaya
42. Kisumu
43. Homa Bay
44. Migori
45. Kisii
46. Nyamira
47. Nairobi City

Source: The Constitution of Kenya (2010)