THE IMPACT OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS) RE-ENGINEERING ON FINANCIAL PERFORMACE OF PUBLIC SECTOR IN KENYA

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DECLARATION

This research Project is my original work and has not been submitted for degree award at the University of Nairobi or any other University.

Signed...Date..07/12/2020..........

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This research project has been submitted for examination with my approval as a university supervisor.

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Dr. Angela Kithinji

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I wish to acknowledge my family, my course lecturers, my friends for the support accorded to me while undertaking this project. Last but not least I would like to thank the Almighty God for providing me with all the resources necessary for me to do this work. Thank you and May God bless you all.

DEDICATION

I dedicate this work to my parents who have always been with me through my academic life and encouraging me to go on and on tirelessly. I will always be thankful. I also wish to dedicate this work to my fiancée for always ensuring that I work towards achieving set goals in this project

ABSTRACT

Integrated financial management information system objectively aims at increasing financial performance in public sectors since the inception in 2003 through promoting effectiveness and efficiency in the management of public resources in various financial departments in Kenya and this is witnessed by the practicing and adoption of modern financial management systems of applications. The study has set its main focus on a descriptive research technique to keenly and objectively established the relationship between Integrated financial management information system and financial performance basing on a sample target populations of government ministries and county government financial departments. Categorically, Secondary data has been used which contains data collected from various published financial statements, financial reports and audit annual reports for a period of five years that is 2014 to 2018. The study further deployed qualitative method of analysis in coming up with the findings from the questionnaire by extracting the data from a sample size of five counties. Further, the study has also aim to establish an easier and efficient way of ensuring that IFMIS system will provide a great platform of budgeting systems, management of funds, system accountability and financial reporting significantly and positively influence the financial performance through the implementations of integrated financial management information systems. The study precisely concludes by making recommendations that will be beneficial to public sectors officers as well as county directors through its findings in formulation of policies and budget formulations as well as making a conclusion on the correlation between integrated financial management information system having positively impacting financial performance in public sectors in Kenya.

LIST OF ABBREVIATION

IFMIS	–	Integrated financial management information system
GOK	–	Government of Kenya
ICT	–	Information and Communication Technology
IT	–	Information Technology
IMF	–	International Monetary Funds
TAM	–	Technological Acceptance Model
ST	–	System Theory
PFM	–	Public Financial Management
IPPD	–	Internal Personnel Payroll Data
KURA	–	Kenya Urban Roads
Authority LMs	–	Line Ministries
LPO	–	Local Purchase Order
OECD	-	Organization for Economic Co-operation and Development.
OP	–	Operational Performance
SCM	–	Supply Chain Management
AIE holder	–	Authority to Incur Expenditure holder
HAU	–	Head of Accounting Unit
PAC	–	public Accounts Committee
NPSC	–	National Police Service Commission
CBK	–	Central Bank of Kenya

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Global world market competition, has always initiated new innovations and advance technology all over the word. Kenya being a fast growing tech-business country in Africa, has tremendously embrace the move to bring about automation of most financial systems. One of the major initiatives was the introduction of the integrated financial management information system. The aim of adoption of innovation was to end challenges of financial accountability and embracing transparency in public resources or funds in all government and public sectors financial systems. The accountability which was brought about IFMIS was through various innovative moves such as the production of financial reporting which played a very vital role in bringing a clear scope of both general and fiscal accountability which consequently enhanced increased in financial performance.

Integrated Financial management system is a financial application which was first introduced in Kenya in 2003 with the aim of bring about automation of financial payments in facilitating revenue collection and very instrumental in management of sophisticated financial document. In addition, the application has made it easier in matters of making decisions which is a very fundamental aspect of public sector financial management since with the ease of retrieval of financial documents shareholders are able to scrutinize very efficient making it easier in enhancing a countries economic growth as well as cubing financial fraud. Basically, the introduction of the reforms in financial Management sector was the key driver to efficient public service delivery by the various sectors of the government to its citizens. Most crucial part is the reforms did bring about of lot of changes such as employment opportunity; creation of wealth and ensuring there is accountability and transparency in managing public resources with the main aim of enhanced financial performance efficiency and improvement.(M.Q.Patton, 1990)

1.1.1 Integrated Financial Management Information System (IFMIS) Re-Engineering

Integrated financial management service information system is an application which was developed in Kenya in the year 2003.The financial application program was a major advancement in financial management of public resource and revenue collection which brought about efficiency and effectiveness in all public government departments in delivering quality services to its people. IFMIS became a very paramount fiscal tool which is automation dealing with financial management and accountability. How IFMIS works is much of interest since it does interlink major budgetary expenditure management, financial reporting, audit as well as planning through automation of financial data records, tracking and most vital the information management. The application has largely brought about increase in continuing demand of accountability and transparency in managing public funds and resources.

Further, quality of data was also improved by IFMIS system thus enhancing financial performance and efficiency in preparations of audible financial statement, since its system that provide financial accuracy and timely consistent bulk data which help in fastening decision making as far as budget implementations is concerned. IFMIS also promoted responsiveness an accountability of public resources as well as curtailing wasteful expenditure and bring transparency and curbing corruption which was much rampant in public sectors by ensuring that the application enhanced controls and procedural audits in strengthening audit planning of fiscal years in pursuit of reducing government overall investments

1.1.2 Financial Performance

Financial performance is generally defined as the essential and subjective measure on how acceptable a firm can utilize its assets from its various sources of business and generations of revenues in the long run. In comprehending financial performance and its application, various ways are articulated in measuring its revenues in from the general cash flow, sales and operations. Financial performance is paramount because of various factor such as promoting efficiency in revenue collection and resources maximization and utilization which ensure there is maximization of both cost and profit through a well functional financial management (Kibui, 2013).In most cases Financial performance is normally associated with sound management of finances through making sure the financial reports are available at timely basis and the data required is relevant and submitted on due time in making decisions to the interested parties at any given financial year. (John Beshears, 2018).

1.1.3 Integrated Financial Management Information System Re-Engineering on financial performance

The study sought to portray that the correlations between the variables which is IFMIS and financial Performance is positive. Based on the stipulated theories and assumptions from the previous studies, the general implementations of Integrated financial management information system has ensured that there accountability of public resources which has ensure that there is minimal unresourceful and unwanted financial expenditure in county and national level public sectors department through ensuring there is effectiveness and efficiency in delivering sound budget and services to the public.

Since the inception, IFMIS has always been proven as a vital tool in financial management in ensuring that there are appropriate strategies which help in productivity maximization as well as policies governing the spending of the public resources and distribution of funds through curbing unauthorized allocation of budget. In any sound organization, a good performing system has always been associated with enhanced value addition of efficiency with the financial systems in place. (M. Mansoor Khan, 2008).In addition (Chirchir, 2014)also pointed out that IFMIS is proven to be of much use on institutional financial structures since it helps promote financial efficiency which enhances financial performance at county levels as well as effective budgetary control with consistent reliable information in the use of funds. The adoption of IFMIS has purely made it easier for a new approach to record keeping management which has increased efficiency and financial performance (Bravo, 1990)

1.1.4 Public sector in Kenya

Public sectors are defined as formation of organizations, which are operated and mostly owned by government with the intention of providing services to the general public. There are two categories of public sectors which include National and local government organizations, public corporations and partners. These sectors ensure that there is improve performance of public resource management through strengthening the internal policies and processes thus enhancing leadership capability and transformation of culture of the staffs in public sectors. In Kenya, the public sector include the national government which is headed by president of the land as the executive officer and the governors in charge of the county public sectors and they both play a vital role in ensuring efficiency as well as effectiveness of expenditure of public resources and budgetary process as well ensuring provision of quality services to its citizens. Funding of the public sectors is normally from interested stakeholders and partners corporations to promote service delivery on public resources. In addition the public sectors have the sole mandate to ensure they are responsible and accountable for the public resources in order to curb corruption by keeping a serious monitoring of the process and cash flow in making sound decision making which enhance stakeholder confidence.

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1.2 STATEMENT OF THE PROBLEM

This statement of the problem will answer the question as to why we need to conduct this project in an objectively manner and answer questions to our research findings. Moreover since the beginning of financial mobilization, management of public resources has always been a challenge and mostly associated with mismanagement of public funds and revenues collections embezzlement promoting to increased public debts, unreliable financial systems and increased public debts which consequently brought about poor financial performance resulting to economy fallout both county level and the national government. Various previous researchers have attempted to explain the implementations of IFMIS and financial performance as follows. (Mburu, 2016) in his research findings, explained the challenges of government in provision of accurate, transparent and complete financial information. He further elaborate thus this hinders the enforcement of public resources accountability. However the study did not share more light on how the implementation of IFMIS did promote more advance implementations of financial management and accountability

(Omokonga, 2014) also in her case study, she pointed out the essential need of government ensuring their financial systems are integrated to ensure their increased accountability and capability of checking and controlling government expenditure through ensuring that there is a platform which promotes a possibility of getting access to financial information. Despite a great approach in this study on financial aspects of controlling public expenditure, the findings did not sufficiently outline the usage of IFMIS in enhancing financial performance.

In addition, (Charko, 2013) in his study, on emergency of communication technology and financial information in promoting transparency of public sectors combating graft in financial public sectors. However, the study findings did not outline the impact of integrated financial management information system versus financial performance. Further,(Karanja, 2014) in his study on the effectiveness of IFMIS. Though his study tried to bring about the effect of financial integrity however, it did not focus on financial performance on public resources management.

In conclusion, none of these previous studies have addressed the issue of public sectors on the aspects of integrated financial management information system on financial performance. The research study tends to answer the research gap on financial accountability and transparency on public resources. Therefore, this study aimed to answer the question of the impact of integrated financial management information system on financial performance of public sectors in Kenya.

1.3 RESEARCH OBJECTIVES

To investigate the impact of integrated financial management information system on financial performance of public sector in Kenya.

1.4 VALUE OF THE STUDY

This study will give more room for further studies to the scholars and academicians as well as researchers. The findings will be essential to these bodies of knowledge on the association between financial management and electronic funds transaction in public sector financial management.

The study findings will significantly be a huge advantage to the general public, through ensuring the IFMIS will curb corruption and brings clear fundamental aspects of public funds transparency and ensuring they demand for better and quality services from the public sectors.

The Local County and national government will hugely benefit from this project research as well. They will use this report findings objectively brings about confidence to application of integrated financial management information system.

This research findings will as well shade light on application of Government financial policies development implementation, planning and design of sound and effective management of public resources which enhance financial performance.

This study will attract global partners such as World Bank and western Countries through efficiency in public resources accountability through having assurance in grants of public finance management implementations.

The Private sectors will highly benefit from this particular study as well; the research objective results will enhance confidence in public financial management which is very significant, since IFMIS promotes more accountability and transparency on public resources which shades more light on public expenditure by the various county government financial departments.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The aim of this chapter is to look into the literature of previous studies and various theories that promotes the investigation of the establishment of the correlation between Integrated Financial management information system reengineering on financial performance. In addition, this chapter will also clearly bring out the theoretical framework and analysis in reviewing the study.

2.2 THEORETICAL REVIEW

This review did discuss various theories pertaining to the research topic. The theories include as follows Technology Acceptance Theory, System Theory and Meta Theory Model.

2.2.1 Technology Acceptance Model (TAM)

Technology acceptance model was pioneered by Fred Davis and Richard Bagozzi in the year 1989.Its also abbreviated as TAM. It deed replaces the TRA which measures the attitude of the behavioral elements without limitations. In the real world there will be many constraints, such as limited freedom to act (Fred D. Davis, 2006).In accordance to (Venkatesh, 2003)the technology acceptance model was established specifically to find out acceptance of information knowledge and its use in the work place. The model is based on the attitude paradigm from psychology which specifies how to measure behavior, distinguish between beliefs and attitude and explanation of their linkage (Ajzen, 1975)the theory explains the factors that make the users to accept a certain new technology and use it. Success in adoption of new technologies such as IFMIS is linked to the perception of how easy it is to use as well as intention of using the technology.

In many cases, various researchers and scholars came up with establishment that the usefulness is always perceived with a positive correlation which has a connection with both continuance and adoption purposes according to (Lewis S. R., 2013).Whenever there is a need of usage of a new technology, researchers have term it as perceived and realized it has a attitude of satisfaction to the end users. (Nakata, 2013).There is also the aspect of perceived intention which has come out clearly on the new users which made it easier for the technology to be perceived in a positive manner. However even though the method received a great praise to the market it's also faced a number of challenges whereby existing user did promote criticism and mostly was due to generality nature which have most a times brought about continuance ignorance to the heterogeneity among organizations and most technological industries (Heshan Sun, 2006).

2.2.2 System Theory

ST was first pioneered by an American sociologist by the name Talcott Person in the year 1940s.The system theory had one major aim which was to explicate the structure of a system in social sciences. In this theory Parsons did perceives the social system as a composition of primary constituents of a general system of action with three other constituent units of subsystems of the action. These subsystems of actions are one cultural system, the personality system, and the behavioral system. According to (Kang'ethe., 2002)as system is a combination of related and interacting mechanism, which works in unison to attain a desired set of objective Systems are generally complicated and extremely interlinked set of connections that reveal synergistic property. Many organizations have incorporated information communication technology (ICT) into their systems to assist in the fight against corruption and in promoting greater comprehensiveness and transparency of information in the public sector (Simon, 1990) the preferred ICT sound effects have been categorized as information, transactional, tactical and transformational. The information ICT aspect ensures that the information available to the stakeholders is accurate, identification of bottlenecks in production process as well as ensuring transparency of business processes. The transactional aspect of ICT ensures operational and cost saving, staff cost saving, enhanced company effectiveness and supply chain management. The integrated financial management information system has been promoted as a key component that will be used in the implementation of the reforms in the financial sector. IFMIS comprises of various components that work interdependently in a systematic manner to ensure that there is adequate information for budget formulation, utilization of public resources optimally and reduction of fraud and cases of corruption

2.2.3 Meta Theory Model

The Meta theory Model was initially developed by Gory and Scott Marton in 1971.This theory clearly stipulate that the general integration and technical orientation of synthesis and cognitive are the models which over arches the accounting information systems. The paramount significance of this theory is that, it helps to address and shaped the information technology though its limitations that are so imminent and most cases brings about failure in adoptions in making the required decisions and dealing with the transactions in an proper manner (Ruchala, 1999). Basically, the Meta model is built on managing information of past frameworks which ensured that decision making is made easier through the application of integrated financial management and information system which is a very paramount and essential component of accounting practices ad task which changes the work process in a much efficient and effective way.

2.3 DETERMINANTS OF FINANCIAL PERFORMANCE IN THE PUBLIC SECTOR

Financial performance of public sector was determined by the following parameters or factors

2.3.1 Financial Reporting

Financial reports extraction was made easy with integrated financial management information system re-engineering and brought a lot of data in accounting presentations. (Simon, 1990).Financial performance is hugely determine by the auditing of financial reporting practices which the application has made it easier in public sectors in both internal and external cash flows in generating revenue thus improving financial performance.

2.3.2 Internal controls

Through the use of IFMIS, it has enhanced more and advance public funds internal controls promoting accountability and reduces audit issues as well as integrity multi practice through ensuring the government administrations follow the standard outlined procedures and policies which are rules governing the ways of achieving the financial objectives.

2.3.3 Budgetary controls

Budgetary control is an instrument which is very paramount to management of countries economies of scale in preparation of budget expenditure. Through the implementation of integrated financial management information system application has facilitated budget planning for easy of efficiency and extraction of appropriate and accurate information.

2.3.4 Accountability

This is a financial performance determinant which IFMIS has enhanced it through the improvement of financial reporting thus increasing efficient in public sector resources. Most importantly through the implementation of IFMIS it brought about increased controls in public expenses and open budget by enhancing transparency and accountability.

2.4 EMPIRICAL STUDIES

The Empirical studies of previous researches have been conducted to bring about the relationship between the study topic, which is the effect of IFMIS and financial performance. The empirical studies focused both on Local and Internal studies.

2.4.1 International studies

(Conrad, 2013) In her study outlines the usage of integrated financial management information system and its resultant effect on delivery of quality service on various sectors of the government department using the primary data. Subsequently the in her study findings, the revelation of her findings indicated that the system application did tremendously promote and enhance delivery of public financial services and strengthen the relationship among the various stakeholders such private ventures and government partnership. In the long run the findings were not sufficient to sustains the management of the public resources and bring accountability and transparency thus promoting corruption.

Another study, by(Hendriks, 2012) in investigation pointed out that there is a high rate of risk and IFMIS Implementations. The findings also had a number of loopholes when large or bulky data is involved the system is not able to efficiently establish a clear public funds management.

In addition, another researcher by the name (Min, 2013) in his project research focused on the determination of IFMIS on open budget publication and budget improvement in ensuring promotion of transparency. The study end results did indicate that even though the system was positively and worldwide warmly received and better acknowledged, but only 12% of the users were able to manage indicate the best practices in presentations of the open systems data from the application.

2.4.2 Local Studies

Various local studies have been previously outlined to the relationship pertaining to the subject study. (MWANIKI, 2013) in his research on establishment of performance of financial services through the deployment of IFMIS financial reporting did attempt to prove that Integrated financial management information system efficiently increased the practice of managing public funds effectively in various government departments. However, the system proven to also bring about challenges in ensuring that there is adequate implementation support despite all positive indication of a positive correlation but the study was not sufficient.

Another study is by (Odoyo, 2013.)in his study to focus on adoption of IFMIS affecting public services cash management. In his research he used the primary data in analyzing the questionnaires using the descriptive technique. The end results of his research study did show that there is a high flexibility and reliability level of Integrated financial management information system in ensuring that there is effective management of public resources that is funds by improving the level of accuracy immensely however the application did lack the necessary management support thus not sufficient to support the study of IFMIS in relations to financial performance.

Further to the local studies, (Muigai, 2016) extended his investigation to establish the IFMIS on management of financial public sectors in the republic of Kenya. In his study the sample population is 42 ministries in the government of Kenya by extracting primary data to review

Kenyan economy. However in his study he did not capture efficiently on the specific methodology on the impact of IFMIS and financial performance.

Finally, another study by (Lundu, 2015)on the impact of IFMIS implementation on performance of management of supply chain which focused on the County Government of Mombasa . This study however did not efficiently capture the effect of IFMIS and on financial performance.

2.5 CONCEPTUAL FRAME WORK

The conceptual framework that is used to investigate the research study topic which is definitely the co-relation between IFMIS versus financial performance of the study. Below is the figure used to illustrate both dependent and predictor variable.

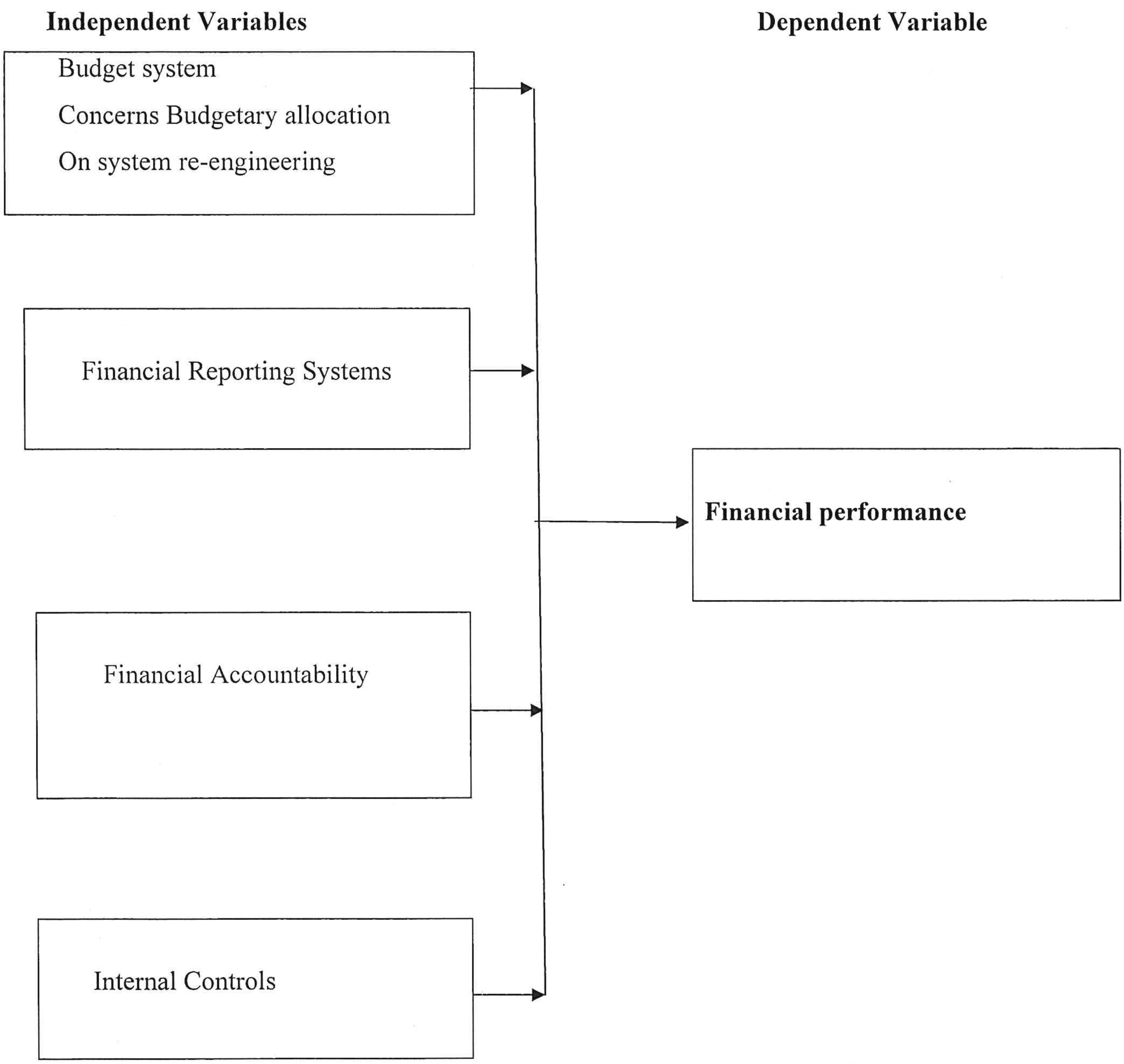


Fig.2.1Conceptual Framework

2.6 SUMMARY OF LITERATURE REVIEW AND KNOWLEDGE GAPS

scholars	study	Major findings	Knowledge gap
Alsheri and Drew (2010)	Success of e-government adoption.	Many governments worldwide are introducing e-government to reduce cost, improve service delivery.	Challenges in culture change, social issues and organization.
Ndegwa and Amuhaya (2014)	Factors affecting the adoption of global sourcing.	The was significant influence of fluctuation, tariff and non-tariffs barriers, complex logistics,	Challenges in IFMIS infrastructure development.
Odoyo, Adero a Chumba (2014)	Effects of IFMIS on cash management in the public sector	Reliability of IFMIS system is one which is timely, accurate and complete.	Challenges in developing IFMIS infrastructure, destruction and unauthorized access.
Rodin-Brown (2008)	Roadmap to implementation of successful IFMIS	IFMIS systems are complex, expensive and challenging to manage.	IFMIS planning, resources, budgeting and management ability.
Karanja and Nyambura (2014)	Aspects that influence IFMIS implementation in government ministries of Kenya.	Inadequate funding as well as the cost of implementation were challenges in the implementation of IFMIS.	Challenges in implementation in process of workable IFMIS.

CHAPTER THREE

RESEARCHMETHODS

3.1 INTRODUCTION

Basically, the chapter tends to explain the methodology used to explain the objectives and research problem of the project. The general outlined features include the population and sample size, data collection techniques, analysis techniques and Research design.

3.2 RESEARCH DESIGN

Descriptive design was used in this research to establish the relationship between IFMIS and Financial performance which is simple a method outlining the standard procedure of how to determine the outcome of the project research topic. Research design tends to seek and extract information useful in determine the exiting phenomena.

3.3 POPULATION AND SAMPLE

The Targeted population is the various government departments and the financial counties department among the 47 counties in Kenya. In addition, population was defined by (Cooper, 2003) as the sets of elements which have similar characteristics through the targeted population for a interval period of 5 years in determining the variables in outlining the relationship between the IFMIS and financial performance.

Further sample is also very instrumental to this project in determining the outcome of the relationship between the variables. For this case a sample size of 5 counties will be deployed in determining the outcome though the use of descriptive analysis technique of the interval period of 5 years..(Bryman, 2003) did point out that sampling is a simple process of drawing the collected data from various sources into a specified populations of the impact of the two significant variables which include financial performance as the independent variable and IFMIS and the dependant variable of the entire population.

3.4 DATA COLLECTION

The collection of data refers to process of getting information which is relevant to this project from various predetermine sources in order to [provide a solution to the problem of the research (Mugenda, 2003).The Data collection has two major types which are Primary and secondary data. This Project applied secondary data in mining the data to determining the relationship between IFMIS and financial performance. The extracted secondary data presented include the reports from financial audits, annual published statement of the fiscal financial year from the various government department and counties.

3.5 DATA ANALYSIS

The Project will analyze secondary data using the qualitative technique for approximated period interval of 2014 to 2018.In this project the data will be extracted from various financial government websites and summaries it, through uses of charts and tables as well as coding for ease of presentation. Various programs such the Microsoft Excel and inferential statistics will be descriptively analyzed and subjected to multiplier regression, a technique that is applied to analyze the magnitude and direction of establishing the relationship between dependent and predictor variable of the subjected projected.

3.5.1 Analytical Model.

The analysis model used is derived from secondary data and the descriptive statistic model has been applied .These analysis included the calculation of mean rate, mode, variance as well as the frequency distribution as established using the spss. Moreover in determining the relationship, the regression equation was subjected to multiple regressions which linearity in nature. In this case the variables tested in establishing the integrated financial information system is the internal controls, organizational commitment, accountability and transparency, budgeting and financial reporting not forgetting testing error term. Below is how the linear multiple regression equation formations assumption model.

$$\hat{Y} = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$$

Where: $\hat{Y}$ = Represent the financial performance.

$\beta 0$ = Represent the Constant

$X1$ = Represent the budget system and cash management

$X2$ = Financial reporting systems

$X3$= Internal control systems

$X4$= Represent the organizational accountability of system events with available information

β 1, 2, 3, 4= Represent the curve slope

ε =Represent error term

3.5.2 Test Significance

The relevant test significance adopted on this project is the T-Test, which is generally used to describe the paramount significance of examining between various sets or two distinct sets of the significant mean using the statistical package of social science a software program commonly abbreviated as SPSS. In addition, the project has also deployed various multiple regression models in determining the P-Value of the regression analysis of the outcome to determine the distinct relationship of the two variables which are the dependent and predictor. In this project the level of significance is 0.05 or 5% that will definitely outlines the relationships between the two variables which is the relationship between the integrated financial information system and financial performance.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter gives the interpretation and presentation of the research findings. This chapter will present the analysis of the data on the study which is the effect of integrated financial management information system on the financial management of the public sector in Kenya. The chapter also provides the major findings and results of the study.

4.2 Demographic Analysis

This analysis shows the computation of demographic data as presented in the tables, graphs and charts showing the response rate of the customers.

4.2.1 Gender

The study indicated that most the employees randomly sampled were male which represented (65%) while female represented (35%). This shows that the counties and commissions have employed more male than female however the one third gender rule has been observed from the sampled respondents.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	39	65	65.0	65.0
	female	21	35	35	100.0
	Total	60	100.0	100.0	

4.2.2 Age of the Respondents

Of the employees most (33.33%) were aged between 35years-45years. This category is closely followed by (30%) who were those between 25years-35years, above 45years was (26.67%) and lastly those below 25 years constituted of 10%.

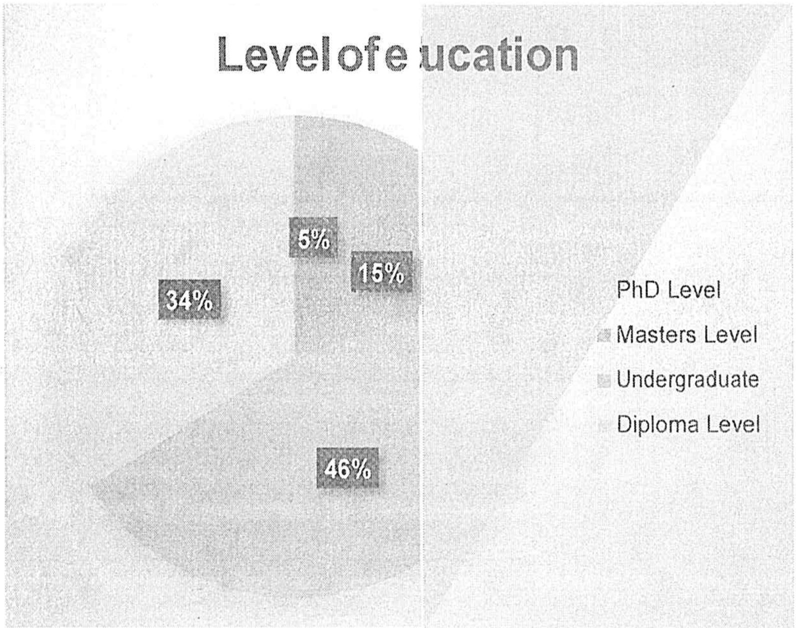
AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<25years	6	10.0	10.0	10.0
	25years-<35years	18	30.0	30.0	40.0
	35years-<45years	20	33.33	33.33	73.3
	45years>	16	26.67	26.67	100.0
	Total	60	100.0	100.0	

Source: survey data 2020

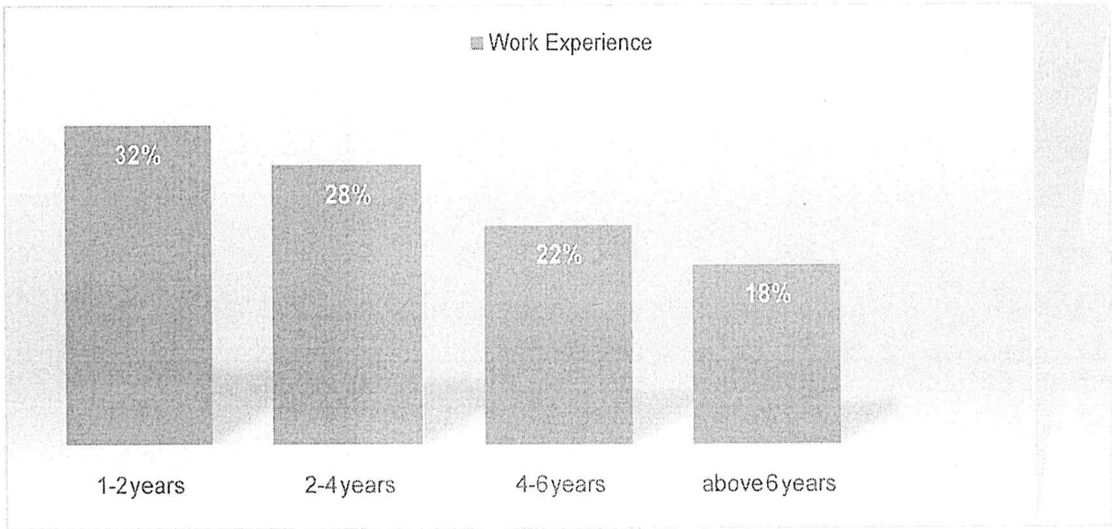
4.2.3 Level of Education

From the pie chart below, majority of the respondents (46%) have Undergraduate level of education. This is because the job requires that an employee should have a minimum education level of a first degree. This is followed by 34% with college or tertiary education. Those with Masters Level of education constitute of 15% and a 5 % have PhD level of education who mainly constitute employees in the managerial positions. This is an elaborate explanation that the education levels are essential in using and implementing the IFMIS in the counties.



4.4.4 Work Experience in Department

From the graph below, most of the respondents have worked in the county government departments for 1-2 years this was closely followed by 28% of the employees who had worked in their department for 2-4 years. The ones who had worked for 4-6 years attributed to 22% and lastly those that had worked for over 6 years were 18%. The years are few since the devolved government came into being 8 years ago.



4.3 Inferential Statistics

Below is the statistical inferential of the research study findings.

4.3.1 Cash Management Systems

Through IFMIS, budget planning has really been made easy and efficient by giving appropriate and precise information of budgetary financial allocations thus improving the financial performance of the public sectors. The study sought to find out the influence of the cash and budget management in the county governments and commissions using four attributes namely Fiscal forecasting, planning of budgets, Management of cash and decision making. The research used a likert scale

of likert scale of excellent-1 Good-2 Average-3 and poor was given a scale of 4 to determine the effect of IFMIS on cash management.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
forecasting	60	1.00	4.00	1.7000	1.03006
budget planning	60	1.00	4.00	1.9333	.93640

cash management	60	1.00	4.00	1.6500	.98849
decision making	60	1.00	4.00	1.6833	.92958
Cash management and budgeting	60	1.00	3.25	1.7417	.57299
Valid N (listwise)	60				

From the responses, the attribute had a mean close to 2 which means that the IFMIS system has a good effect on the cash management and budget controls in terms of forecasting, planning, management of cash and decision making for the county government.

4.3.2 Financial reporting systems

IFMIS has enabled easy extractions of financial report thus making reporting very efficient and effective at the same time through ease of distribution of account related data which facilitates speedy analysis and enhancing financial performance. This variable was measured based on the relevance, transparency, accuracy comparability and the accountability aspect of the information obtained from the system. The questions used were measure based on a likert scale of excellent-1 Good-2, Average-3 and poor was given a scale of 4. The table below shows the descriptive of the parameters that were used to measure the financial reporting systems variable

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
relevance	60	1.00	4.00	1.6833	.99986
transparency	60	1.00	4.00	1.6667	1.03607
Accuracy	60	1.00	4.00	2.0667	.88042
comparability	60	1.00	4.00	1.7667	1.04746
accountability	60	1.00	4.00	1.7833	.94046
Valid N (listwise)	60				

From the analysis, the mean was between excellent and good for all the parameters implying that the county government and commission departments found the attributes of relevance, transparency, accuracy, comparability and accountability to have an excellent or good impact to the financial performance when they are using the IFMIS. Relevance, transparency, accuracy, comparability and accountability had means of 1.6833, 1.6667, 2.0667, 1.7667, and 1.7833 respectively meaning respondents agreed to the IFMIS being of good impact to financial reporting systems. The general mean for the financial reporting systems was 1.7933 which is close to being good sing the scale is 2.

4.3.3 Internal Control Systems

Internal control system was another variable the study used to determine whether it has influence on the financial performance of counties. This variable incorporated the facets of monitoring and evaluation, management and governance, auditing effectiveness, Information credibility and information security. The questions were measured on the extent to which the IFMIS has an effect on the internal control systems in terms of the parameters given above. The likert scale is thus 1-very great extent, 2-Great extent 3-Moderate extent 4-Little extent 5-No extent. From the results below, A great value with a mean of 1.8833 showed that the IFMIS enhances monitoring and evaluation of the county government activities. Management and Governance also showed that majority of those respondents agreeing that I had a great extent since the mean was 1.7500 implying that the IFMIS has greatly enabled governance and management of financial resources in the county governments. Auditing of the financial reports had a mean of 1.6667 meaning that the IFMIS system enables the availability of financial statements which are crucial when it comes to auditing in the county governments. Respondents to a great extent reported that the IFMIS ensured the credibility of information especially the budgets at the county levels. The mean for this respective component was 1.7500 showing a great extent. Lastly, use of IFMIS system has greatly contributed to information security which from the results showed a mean of 1.8867 implying that the particular respondents to a great extent agree that IFMIS enhances the security of information.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
monitoring	60	1.00	4.00	1.8833	1.00998
management	60	1.00	4.00	1.7500	.95002
auditing	60	1.00	4.00	1.6667	1.00282
credibility	60	1.00	4.00	1.7500	.91364
info security	60	1.00	4.00	1.8867	1.00282
ICS	60	1.00	2.80	1.7433	.43428
Valid N (listwise)	60				

4.3.4 Financial and Organizational Accountability

The fourth variable was used to establish the extent to which the IFMIS has enhanced the Financial and Organization accountability in the county governments. A likert scale was used to determine the extent where 1-very great extent, 2-Great extent, 3-Moderate extent, 4-Little extent and 5-No extent. Information quality, Information availability, Information disclosure, Tracking of financial events, reduction of overspending and recording of the transactions were the attributes used to determine the accountability impacts of the IFMIS in the county governments. Information quality had a mean of 2.3500 implying that majority of the respective respondents were moderate extent and great extent to the IFMIS improving the quality of information. Availability of information had a mean of 2.133 implying majority to a great extent concurred that the IFMIS helped in improving the availability of the information required. Disclosure of information had a mean of 2.0667 meaning the IFMIS to a great extent helps in providing information to the general public. The IFMIS enables the tracking of financial events which enhance accountability and from the results, it showed that a mean of 1.6167 (between excellent and great extent).The

IFMIS helps reduce overspending in the county governments and commissions which according to the results showed a great extent with a mean of 2.0500. Lastly, the IFMIS enables the recording of transactions which from the study showed a mean of 2.1167

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Infor quality	60	1.00	5.00	2.3500	1.40006
info availability	60	1.00	5.00	2.1333	1.34626
info disclosure	60	1.00	5.00	2.0667	1.13297
tracking events	60	1.00	5.00	1.6167	.94046
reduced overpending	60	1.00	5.00	2.0500	1.33309
transaction recording	60	1.00	5.00	2.1167	1.30308
OAS	60	1.17	3.67	2.0556	.53737
Valid N (listwise)	60				

Source, 2020

4.3.5 Financial Performance

Financial performance was the independent variable of the study which was measure in terms of planning, directing, controlling and organizing financial resources. The questions used the likert scale of excellent-1 Good-2 Average-3 and poor was given a scale of 4.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Planning	60	1.00	4.00	1.6833	.99986
organizing	60	1.00	4.00	1.9167	1.04625
controlling	60	1.00	4.00	1.7333	.89947
directing	60	1.00	4.00	2.0167	.97931
Valid N (listwise)	60				

Where planning of financial resources had a mean of 1.6833 implying that the IFMIS enables effective planning of financial resources in the commissions and County governments. Organization had a mean of 1.9167 meaning the county employees rate the IFMIS as good when it comes to organizing financial resources. Controlling of financial resources had a mean of1.7333 meaning the use of IFMIS in the counties helps regulate the spending of money in the county and lastly the IFMID assist the counties and commissions to direct the financial resources to the appropriate channels and projects especially when they are doing budgets. Directing had a mean of 2.0167 implying that the IFMIS is good in directing financial resources.

4.4 Regression Analysis

In order to compare the relationship between the two variables, a simple regression analysis model was applied and the summary for the findings was as below.

4.4.1 Model Summary

The model used for the study was multiple linear regressions used to determine the cause and effect of the independent and the predicted variables. The multiple correlation coefficients was represented by R which shows the extent of relationship between the dependent and independent variables. The table below shows a 0.726 which represents 72.6% this shows a considerable co-relation among the dependent and predictor variables. Adjusted R^2 represents the variance in proportion in which the predictor variables can explain the dependent variables. It shows the cause and effect of the predictor variables on the dependent variable. From our study it showed a value of 0.801 which translates to a variance of 80.1% indicating that the independent variables have an80.1% effect on the financial performance. From the study findings, the standard error of estimates for this study was at 0.39180 which implies that 39.18% is the estimate in which the model can accurately be predicted.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.383[a]	.726	.801	.39180

a. Predictors: (Constant), budgeting and cash management, Internal Control Systems, Organizational and financial accountability, Financial Reporting Systems

4.4.2 Analysis of Variance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.447	4	.062	2.357	.045[b]
	Residual	2.443	55	.154		
	Total	2.890	59			

a. Dependent Variable: FP

b budgeting and cash management, Internal Control Systems, Organizational and financial accountability, Financial Reporting Systems

The analysis of variance table test was used to determine the overall significance of the data used in this study. It shows whether the independent variables will statistically and significantly predict the dependent variable. From the ANOVA statistics, the processed data had a significance level of 0.045 which is less than 0.05 an indication it is significant. The F statistics is used to determine if a group of variables are jointly significant. From our study results the computed F-value was (2.357) therefore we accept that the independent variables affects financial performance when the Counties and Commissions used the IFMIS

4.4.3 Regression Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.256	.409		.627	.533
	FRS	.148	.103	.186	1.437	.050
	ICS	.111	.118	.117	.934	.355
	OAS	.235	.097	.308	2.413	.019
	cashmgt and budgeting	.146	.094	.204	1.553	.126

a. Dependent Variable: FP

The results in the table above showed the different regression coefficients of the independent variables and the constant values of this study. The constant value of the study was 0.256 and was statistically not significant since 0.533 is greater than 0.05.This indicated that whether the IFMIS system is used by the counties, the financial performance will be at 0.256.

The financial reporting systems which looked at the relevance, accountability, transparency, comparability and the accuracy of the IFMIS system to inhibit those attributes had a positive beta coefficient of 0.148which means that financial reporting systems have a 0.148 impact on the financial performance when counties use the IFMIS system. This variable was statistically significant for this study since 0.050= 0.05 at 95% confidence level.

Internal Control Systems were used in this study to show efficiency of IFMIS with respect to information security, monitoring, governance, auditing and information credibility. It had a positive beta coefficient of 0.111 which means that internal control systems have a 0.148 impact on the financial performance when counties use the IFMIS system. However it was statistically insignificant since the p-value (0.355) is greater than 0.05 at 95% confidence interval.

Organization and Financial accountability had a positive coefficient of 0.235.This means that use of the IFMIS improve the organizational and financial accountability which translates to a 0.235 The variable was statistically significant since p-value 0.019< 0.05 at 95% confidence level.

Cash management and budgeting controls looked at the forecasting, decision making, cash management and planning of budgets. The variable had a positive coefficient of 0.146 which indicates a positive effect on the financial performance of the commissions and county governments. It was not statistically significant since 0.126> 0.05 @ 95% confidence interval level.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of the data findings, conclusions drawn and recommendations for the study which is aimed at establishing the impact of integrated financial management information system (IFMIS) re-engineering on financial performance of public sector in Kenya. The study used SPSS version 25.0 to analyze the primary data obtained from the employees working in the county governments.

5.2 Summary of Findings

The Kenyan Government has raised issues over the performance of the public sector with regards to financial management. This could be attributed to the lack of a system that available, reliable and consistent information channels that assist in the process of decision making. The Inception of the IFMIS was integrated by the counties in 2014, so as to bring the competitive edge in the global world. This system was adapted in order to bring about transparency and accountability in public fund while enhancing continuous improvement of public sectors financial systems. The main objectives of the study were to analyze the impact of the IFMIS on the public sector which this study focused on the county government. A sample of six counties was used namely: Nairobi County, Kakamega County, Makueni County, Nyeri County, Uasin Gishu County and Kilifi County which represented the regions of the country so as to at least have a fair distribution of the respondents. Collection of primary data was done using questionnaires relating to the study's specific objectives. Secondary data comprised reports like annual financial and budget summaries, audit reports and progress reports from the system implementation commenced and contained important information that will be impactful to the particular research study.

The means of the variables were skewed to a great extent when it comes to the influence of the IFMIS on the financial reporting systems, internal controls, Cash management and organizational accountability. The multiple correlation coefficients was represented by R(72.6%) which shows the degree of relationship among the dependent and independent variables and the adjusted R was 80.1% indicating that the independent variables have an 80.1% effect on the financial performance. All the variables had a positive beta coefficient Financial reporting systems 0.148. Internal controls 0.111, Organizational accountability 0.235 and the cash management and budgeting 0.146.Financial reporting systems and organizational and financial accountability were statistically significant to having an effect on the financial performance of the county governments 0.05 and 0.09 respectively at 95% confidence interval level.

5.3 Conclusions

The study concludes that financial reporting systems and Organizational and financial accountability positively as well as significantly impacts the financial performance in the county governments and Commissions. Additionally information quality and availability reduced overspending, tracking financial events and recording transactions impacted the financial performance to a large extent. The study also concludes that financial reporting in County Government and Commissions certainly and significantly influences their financial management.. The study also finds out that aspects of financial reporting such as application, comparability, accuracy, accountability, clearness and authenticity had an impact on the financial management in the public sector to a greater extent . This agrees with Thurakam (2007) who noted that in order to give out its objectives purposefully, financial reports out to be accurate, relevant, prompt and authentic; attributes which are supportive for decision making in the public sector. The study further finalizes that internal control systems positively but not statistically significantly impacted the public sector's financial management. The study ultimately concludes that IFMIS has improved controlling as well as organizing of financial resources and also monitoring and evaluation of financial resources. This goes well with Muigai (2012) results that IFMIS has largely impacted on the improvement in Kenya's financial management. Hashim (2001) investigated the core functional requirements of proper fiscal management systems.

5.4 Recommendations to the Study

The research study suggests that the public sector bodies should put advocate for advanced financial systems to work on financial performance and general use of the system by the employees/users. On adaptability, the study advises that the management responsible for public sector bodies responsible for integration of IFMIS and implementation ought to improve its reward system owing to the fact that it enhances financial management. The study, moreover recommends that the public sector can make use of this information for numerous purposes; budget formulation and planning, auditing, handling cash balances; track the status of assets and receivables; procurement management, monitoring the use of fixed assets and the performance of specific sections or departments; and making necessary adjustments. The IFMIS also allows effective report writing which should be customized to meet the International Monetary Fund (IMF) reporting writing requirements and other International Financial protocols. A further area of research would be to incorporate more variables for example employee effectiveness, external factors like the political environment which would probably have an impact on the IFMIS at the public sector. Architects for Public policy on finance should put emphasis on the functionality and range of the IFMIS system that can be as simple as and application for general ledger accounting to an inclusive system doing accounts receivable and payable, internal control, budgeting, cash management, accountability and financial reporting system. The study intended to find out the Impact of IFMIS on the financial performance in the public sector in Kenya with specific interest in the County Governments and commissions. The study population involved 6 counties representing the regions of the country namely Kakamega, Nyeri, Makueni, Uasin Gishu, Kilifi and Nairobi Counties and 6 commissions namely National Police Service Commission, Commission on Revenue Allocation, Teachers Service Commission, Judicial Service Commission, National Land Commission and Parliamentary Service Commission. This study focused on selected county governments and Commissions. This research could be replicated the in the remaining counties and commissions and assess the financial performance while using the IFMIS. Comparison on the IFMIS usage could be another area of research which can be used to determine the extent of impact and why one county could be performing better that the other.

5.5 Limitation of the study.

In this research, the objective was clearly achieved; however, there are a number of limitations which were experienced upon conducting the finding of the study. One of the challenges is in the process of data collection whereby some questions in the questionnaires templates were not answered due to confidentiality policies by the staff members from various departments. In addition there was also a challenge of some senior staff having not filled in the questions due to their busy office work thus unable to get adequate information from them.

5.6 Suggestions for further studies

The research study conducted was limited to financial performance of public sectors in Kenya. On the basis of ample knowledge gained from these study findings which the research can as well focus on other variables affecting IFMIS and in addition, there is more room for research since the scope of this study was only limited to public sectors, a study can be conducted to focus on ministries, parastatals, Agencies and corporations as well.

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APPENDICES 1

APPENDIX i: LIST OF COUNTY GOVERNMENT OPERATING IN KENYA AS AT DECEMBER 2019

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

APPENDIX ii: LIST OF CONSTITUTIONAL COMMISSIONS OPERATING IN KENYA AS AT DECEMBER 2019

1. Teachers Service Commission.
2. Judicial Service Commission (JSC)
3. National Police Service Commission (NPSC)
4. Commission on Revenue Allocation (CRA)
5. Commission on Administration of Justice (CAJ)
6. National Gender and Equality Commission (NGEK)
7. Public Service Commission (PSC)
8. The Kenya National Human Rights Commission (KNHRC)
9. Ethics and Anti-Corruption Commission (EACC)
10. National Land Commission (NLC)
11. Independent Electoral and Boundaries Commission (IEBC)
12. Parliamentary Service Commission (PSC)
13. National Cohesion and Integration Commission (NCIC)