

**BUDGETARY COMPLIANCE ON EXPENDITURE ABSORPTION IN THE
COUNTY GOVERNMENT OF KERICHO, KENYA**

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DECLARATION

I declare that, this project is my own original work and has not been presented for award of any degree in any university.

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This research project has been submitted for the course examination with my approval as the University supervisor.

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DEDICATION

This project is dedicated to my wife Caroline and my children Dennis, Brian, Tobias and Edgar.

ACKNOWLEDGMENT

First I want to acknowledge God Almighty for enabling me with the strength to undertake this proposal. Second my special gratitude goes to my supervisors Mr. Dominic Ngaba. Without him this study would not have been accomplished. Finally my gratitude goes to my family for their support and patience through the study

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ABBREVIATIONS AND ACRONYMS

CG	County Government
CGOK	County Government of Kericho
DOI	Diffusion of Innovation
EU	European Union
GOK	Government of Kenya
IDT	Innovation Diffusion Theory
IFMIS	Integrated Financial Management System
IPSAS	International Public Sector Accounting Standards
LGA	Local government Authority
MCA	Member of county Assembly
MTEF	Medium Term Expenditure Framework
OCOB	Office of the controller of Budgets
OECD	Organisation for Economic Co-operation and Development
PFM	Public Finance Management
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
SWG	Sector Working Groups
WB	World Bank

OPERATIONAL DEFINITION OF TERMS

Absorption	Share the real spending out of the budgeted expenditure.
Absorption rate	The proportion of real spending in the budgeted expenditure
Budget	Report outlining the government's planned revenues, expenses and goals for the financial year and prepared in advance before the beginning of the year.
Compliance	Goal that the Government aspires to achieve in its efforts to ensure that it is aware of and takes measures to comply with the applicable laws, policies and regulations.
County expenditure approval process	Framework made by county assemblies to authorize the executive to withdraw funds for an authorized item expenditure
Expenditure	Purchase of goods and services, including public consumption and public spending, and transfer payments, consisting of transfers of revenue.
Expenditure approval	Authorized use of budgetary funds for specific projects within a County
Expenditure ceiling	Maximum appropriations of the general fund approved in any year
Financial reporting	Disclosure of financial details to the various stakeholders on the financial results and financial status of the company for a defined period of time
Public participation challenges	Difficulties encountered in soliciting citizens' views in a county during the budgetary process

ABSTRACT

The Kenyan Constitution provides broad principles of public finance whereas rules are sets out by the Public Finance management of how the national government can raise and spend money. Despite the existence of a budget calendar with a widely consultative, extensive and highly participatory budgeting process carried out every fiscal year by State Corporations in Kenya in order to have minimal budget / actual variances, there is agreement that the performance of county budgets in Kenya is still weak, especially in the areas of product offering, service delivery and efficiency. The main objective of this study was to analyse budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The specific objectives were; to examine the impact of County expenditure approval process on absorption of funds, to establish public participation challenges encountered in public expenditure, to determine how expenditure ceilings affect absorption of funds and to analyse financial reporting requirements and effects on absorption of funds allocated to the County Government of Kericho. The study was anchored on the theory of budgeting, innovation diffusion theory, public choice and public budget efficiency theory, and the institutional theory. This study adopted descriptive survey design and used questionnaires to collect data. The questionnaires were semi-structured and they were used as they were easy to administer. Drop-and-pick later technique of distribution was used to administer the research instrument. The validity of the research instruments was established by pre-testing the questionnaire and also by seeking options of experts in the field of study. Cronbach's alpha was used to test the reliability of the research instrument. The collected data was coded and tabulated for easy analysis. Data was analysed by use of descriptive statistics like mean, mode and median. The study also used inferential statistics that is regression analysis. The findings were presented in frequency distribution tables, charts and bar graphs. The instrument for data analysis was Statistical package for the social sciences (version 24) computer software. The study found that to a great extent that public participation challenges affect expenditure absorption. The research found that to a great extent that communication affect expenditure absorption in Kericho. Further the study found out that public submissions are minimal because nearly all the views of the citizens are not captured in. The research found that that county expenditure approval process contributes the most to expenditure absorption in the County government of Kericho, Kenya, followed by public participation challenges. At 5% level of significance and 95% level of confidence, county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements were all significant on expenditure absorption in the County government of Kericho, Kenya. The study concluded that public submissions is minimal because nearly all the views of the citizens are not captured in. In addition, there is prioritization of the projects because the citizens will push their leaders to facilitate the implementation of the projects. In relation to the public oversight the study concluded that not many citizens are aware of the oversight mechanism and they had to blame the executive in oversight instead of the MCAs. With the findings and conclusions made in this study, the researcher therefore recommends for policy implementations that; In general, fiscal stimulus plays an important role in the county's economic growth and development, especially if the county's monetary policy is restrictive and does not enable companies to establish better economic conditions in order to increase their productivity.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The Constitution of Kenya (2010) changed the governance of the country by establishing two tier governments; national government and County government. This brought a paradigm shift in decentralization of power and responsibility and in decision making undertaken through public participation. The views of citizens are incorporated through budget making process.

In Europe, the performance and results budgeting mechanism of the European Union (EU) is advanced and highly defined, with a higher score than any Organization for Economic Co-operation and Development (OECD) country in the Standard Performance Budgeting Structure Index (Ronnie, Delphine and Scherie 2017). The EU framework is sui generis, representing different characteristics of OECD norm categorization of presentational, performance-based and straight budgeting, as well as strengths and limitations which are often realized at national level. EU budgetary activities provide a range of successful and creative dimensions that which carry instructions for national governments to draw by themselves plans of performance-based expenditure reform. The strategic and organizational objectives of the EU are set out in a number of harmonizing structures – Europe 2020, Juncker 's 10 priorities, the European Council 's strategic agenda – which pose possible challenges to coherence and communication, (Ronnie, et al., 2017). Consequently, the EU system addresses the short-comings in realistic and workable way: particularly, the Europe 2020 agenda of smart, maintainable and comprehensive development has become a de facto guide whose effect has been communicated across the performance context the numerous programmes. There is scope to communicate much

explicitly, in the sense of the budget, how strategic dimensions reinforce success and outcomes: a new ex ante “Statement of EU Budget Goals” is proposed, by use of structural template of the current EU budget headings and defining a limited number of headline targets in each region. Such an strategy will help to circumvent the danger of "knowledge overload" inherent in many national output budgeting systems and is also a specific risk in the EU context (OECD, 2017).

In Africa, faced with a high demand for fiscal policy and insufficient resources, the South African Democratic Government has also introduced a budget restructuring program aimed at ensuring the affordability of aggregate public spending, the allocation of public money to services that will promote national goals and budgetary activities that will buy value for public money. Alta, Warren and Shapiro (2015) argued that the Budget Information Service and the provision of valuable, timely and reliable information on the budget and actual expenditure is a key operating concept of this program. Accordingly, budgetary activities in South Africa have been marked by a substantial rise in transparency. In South african today, people can access info, in improved layouts much more often than before. The report highlights the these milestones: the financial reporting has improved greatly. Establishment of a medium-term spending structure and medium-term policy statement increased budgetary accountability, further assisted by enhanced analysis of macro expectations, the fiscal system and revenue and expenditure patterns. In addition, the recent National Expenditure Report and the Intergovernmental Fiscal Review have reconciled real spending details with the stated objectives, (Alta, et al., 2015)

The budget is oftenly seen as a crucial instrument for economic governance in Kenya. However, it is also recognized that a nation can have a sound budget and financial structure and yet fail to achieve its intended objectives. This suggests that the rules of the game in which the budget is drawn up and enforced are equally important and that they have an influence on the outcomes, (Nancy & Nafula, 2004). Previously, due to lowly recorded expenditure absorption levels at the 47 counties in Kenya, compliance requirements to budgetary restrictions have been mentioned as the responsible barriers. This study will restrict itself to the case of Kericho County Government to establish the relationship between compliance requirements and expenditure absorption level.

The key county source of finance in Kenya's public sector includes transfers from nationally collected revenues, county own source revenues such as local county taxes and service charges paid, borrowing that is conditional on borrowing only to finance growth, while short-term borrowing does not exceed 5% of the most recent audited sales receipts and its use is limited to cash flow. In the major county government operations, such as health, water and sanitation, environment, childhood education and development, agriculture and rural development, trade and tourism industry, the money collected is then used. The main expenditure areas listed are derived from the general medium-term expenditure framework (MTEF) classification of expenditure areas according to what the ministries are doing.

In a coherent medium-term macro-economic and fiscal background, MTEFs are tools for translating policies and plans into public expenditure initiatives; a stable budget framework includes an effective mechanism for determining and funding priorities, i.e. using the

budget as a means to achieve the national agenda. This is what MTEF budgeting tries to address and is achieved mainly through a consultative system involving all stakeholders at all stages of the budgeting phase in decision-making. This means that the intended usage of funds is held by sector players and that they are more involved in the implementation of the budget. The consultation of stakeholders often involves the establishment of a clear structure for political involvement in the budgetary process , in particular the parliamentary one (World Bank Report , 2008) and now the new form of government county assembly.

The budgeting of the MTEF focuses on expenditure projections for three consecutive years, ensuring that national policy and budgetary outlines are consistent and transparent in which ministries are assured budgetary resources that will be made available to them over a three-year cycle and are fully aware of the policy objectives to be accomplished with those resources. This, in turn, informs the planning phase of the Ministry, Department and Agency line that enhances consistency between overlapping years (budget year and two years ahead) by ensuring that current programs / initiatives are taken into account when forecasting overlapping years of expenditure (Sach, 2008). The sectoral approach to budgeting ensures that the emphasis moves from a line item or a single ministry level to a systematic review of policy objectives. This helps to effectively prioritize expenditure by strengthening the inter-sectoral allocation of resources according to the government's socio-economic program. Consequently, the budgeting of the MTEF seeks to reinforce the relation between government policy objectives and public spending, resulting in the effective use and transparency of public funds. (Kirimi, 2012).

In the Kenyan public sector, the implementation period of the budget or financial year extends from 1 July to 31 June. During this time, the preparation and execution of the national budget is followed by the defined medium-term expenditure system budget cycle. The Ministerial Expenditure Analysis is conducted by the Ministries to evaluate past ministerial expenditure against ministry goals as laid down in the Kenya Vision 2030 or the equivalent medium-term plan, (Chemweno, 2015).

The analysis of the review sets out the benchmarks for the corresponding budget year and the activities of the other two years and the resources required to effectively carry out the activities anticipated. The final results of this process in the implementation of the annual budget show the lessons learned, good practice, challenges and how to reduce them. In order to check the reliability of results, the review keeps all expenditures and activities of the line ministries under control as they must be aligned with a guiding policy document and the budget. Sector Working Groups (SWGs) schedule and submit initial business reports for submission to the Treasury. These sector reports are presented to the relevant ministry headquarters through inputs from MPER line ministries and feedback submissions from districts (old system) or counties (new systems). In order to harmonize the projections of sector expenditures, the Treasury then convenes sector hearings and provides advice on how to prepare final reports on MTEF projections (Folscher, 2014).

Line ministries also finalize ministerial detailed and program-based budgets in compliance with the recommendations of the SWG and the directives of the macro working group. This program-based budget is planned on the basis of the guidelines set out in the Treasury circular and other policy guidance documents, i.e. the vision for Kenya 2030 or the

medium-term plan, respectively. The programmers highlighted in these documents are given priority in terms of funding and clear deadlines set for the achievement of the software. The budget on the corresponding line is then reviewed by the treasury and the department. The treasury then submits the estimates to the cabinet for approval to publish the approved estimates and send the budget to parliament for presentation. As per the budget, the presentation departments will then begin to appropriate the funds (Bird, & Kirira, 2014).

Budgeting is among the most effective and valuable management accounting strategies that can yield good outcomes if well understood and applied (Suberu, 2010). It promotes the efficient use of available funds, enhances decision-making and provides a standard for evaluating organizational efficiency. The effectiveness and significance of budgeting supports the identification of organizational objectives, the distribution of responsibilities for the accomplishment of those objectives and, ultimately, the implementation of those objectives (Drake & Fabozzi, 2011). Despite the possible benefits of budgeting, there is concern about the financial efficiency of State Corporations in Kenya (Wanyoike, 2015). This isn't unique in Kenya only, as 85 % of the world 's governments struggle to provide sufficient details for the public to keep them accountable (Subramaniam & Mia, 2011).

Adongo (2015) posits that ever since independence, Kenya has implemented several changes to the budgetary mechanism with the goal of optimizing the benefits of expenditure by budget reforms in the public sector. These changes necessitate the perceived inadequacy of results relative to the standards of the budget provisions. Despite these efforts to change the budget mechanism in Kenya, the method for achieving public policy

goals remains unsatisfactory. That because the budgets aren't explicitly connected to the planning procedure and the policies implemented. The discrepancy among revenues and expenditures is unending, leading to mini-budgets, re-allocations of budget lines and supplementary budget projections (Wanyoike, 2015). This was the impetus to carry out study to discover the effects of the budgeting process on the output of state corporations in Kenya. According to reports, during the 2017/218 financial year, counties used 303.83 billion shillings for various purposes. Of the total amount, 236.94 billion shillings was used for recurrent expenditures while 66.89 billion shillings was used for development expenditure. The aggregate budget absorption rate was 68.4% for Isiolo; 65.8% for Tana River; and 65.2% for Bomet. Similarly, Kirinyaga, Lamu and Kwale Counties reported the lowermost total absorption rates at 42.1%, 27.2% and 41.4% correspondingly. Kericho County was also among the counties that recorded the lowest overall absorption rates with the rate laying between 31-40%, (Government Annual Performance Report, 2017). From these figures it's evident that county rate is beneath the appropriate 80 per cent and above. This consequently clarifies the current study which seeks to establish budgetary compliance on expenditure absorption in the county government of Kericho.

1.1.1 Budgetary Compliance

Governments from around the world have introduced reforms impacting public sector organizations. The reform agenda has been broadly advocated on the grounds that public sector is structured on the basis of incorrect values, inefficiencies, corruption and inadequate management of public funds, thereby requiring reinvention and systemic renewal. In addition, the pursuit of reforms in many parts of the globe focuses on, among other things, improving accountability in governments, separating policy and management

roles, enhancing efficiency, and devolution of government activities (Guthrie, Olson, & Christopher, 1999). Wakhungu (2014), says that reforms are being placed in place to resolve the identified weaknesses, in particular the fragmented structures of government, the lack of policy direction and the lapsed policy, and to build on institutional change.

The need for public sector funds may be apparent, but in many parts of the world, effective public financial management is often taken for granted. Public Financial Management (PFM) faces quite a number of obstacles, which includes extensive corruption, insufficient management of public resources, inappropriate prioritization of programs and projects, and administrative and managerial inefficiencies, (Kiilu, & Ngugi, 2014). Governments are therefore urged to build a better way to address their complex national development agenda by adopting various policy changes (Bovaird & Loffler 2009). Public Financial Management Reforms (PFMRs) are innovations and improvements in the finance field which are important to national growth. Reforms are commonly pursued to fix the wrong values on which the public sector is structured, inadequacies, corruption and inadequate management of communal funds, and hence the need for reinvention and structural renewal. Among other functions, the purpose of the PFMR is to increase transparency in governance, to increase prudential allocation of financial capital, to increase accountability in financial management, to separate policy and governance functions. The introduction of the PFMRs enables financially troubled companies to be reorganized, economic performance improved, and government operations to be decommissioned (Guthrie, Olson, & Christopher, 1999).

1.1.2 Expenditure Absorption

Economists consider the low budget absorption as one of the failure indicators of the bureaucracy which could obstruct the development and improvement of community welfare in the region (BPKP, 2011). In practice, it is difficult to achieve a hundred percent of budget realization. All local governments in Indonesia always report the surplus in their budget or that the budget is not fully absorbed by the end of the fiscal year. The high budget surplus reflects the low budget absorption.

In an overview of the problems of budget implementation in Kenyan county governments, the office of the controller of Budgets (OCOB) described a range of issues facing the county governments. This included: failure of some county governments to completely implement IFMIS, low absorption of construction funds and failure to file financial reports on a timely basis. Also, Counties were confronted with insufficient employees and low levels of staff capability, mostly in public procurement and financial management, notwithstanding the high level of personnel emoluments expenditure. This impacted the execution of the expenditure, resulting in a poor absorption of funds (ROK, 2014). In addition, the Counties didn't seem to have a monitoring and evaluation (M&E) system to allow for successful monitoring. and evaluation of projects.

1.1.3 County Government of Kericho

Kericho County, which is located in the South Rift of the Great Rift Valley, about 256 km from Nairobi, the capital of the country, is among the 47 counties in the Kenyan Republic. The county stretches to the east between 35° 02 'and 35° 40' and to the south between the equator and latitude 0 23 ', at an altitude of about 2002 m above sea level. The county is bounded by Uasin Gishu county to the north-west, Baringo county to the north, Nandi

county to the north-west, Nakuru county to the east, and Bomet county to the south. It borders Nyamira and Homa Bay counties to the southwest, and Kisumu county to the west. The county occupies an area of 2,479 sq. in total. Km and is split into six sub-counties, 30 counties, 85 counties and 209 sub-locations. Since it has robust national and county roads connecting with the rest of the counties, the county is well positioned to benefit from the numerous markets generated by the surrounding counties. (Kericho 2019 County Government).

In the Victoria Lake Basin, Kericho County is located. Volcanic formations and igneous and metamorphic complexes dominate the geology. Tertiary lava (phonolite) and intermediate igneous rocks cover the nation. The undifferentiated rock basement system (granites), volcanic ash mixture as well as other prolific rocks are inhabited by a small portion of the county. Soil erosion is promoted by the hilly nature of certain areas of the county. However, existence of a dense vegetation cover has minimized this issue, with the exception of a few areas such as Sigowet in the Soin-Sigowet sub-county, Chilchila in Kipkelion west and partly lower areas covering Koitaburot in the Ainamoi sub-county.

Cultural groups of the Kalenjin sub-tribe of the Kipsigis are the ones primarily inhabiting Kericho County which is cosmopolitan. Other noteworthy tribes having a close relationship with the Kalenjins include the Kikuyus, Luuos, Somalis, Indians, Luhyas and Kisiis. A supreme Being called Asis, who the people of Kipsigis believed made heavens and earth is one they worshipped and believed in. The majority of the inhabitants of Kericho County are Christians, but there is a substantial population of Muslims and Hindus (Kericho County Government, 2019).

1.2 Statement of the Problem

Expenditure absorption of County budgets in Kenya is still very poor. In an overview of the problems of budget implementation in Kenyan county governments, the Office of the Controller of Budgets (OCOB) described a range of issues facing the county governments. This included: failure of some county governments to completely implement IFMIS, low absorption of construction funds and failure to file financial statements on a timely basis. Counties were also confronted with insufficient staffing and low levels of staff capability, especially in public procurement and financial management, despite the huge level of personnel emoluments expenditure. This impacted the execution of the expenditure, resulting in a poor absorption of funds (ROK, 2014). In addition, the Counties didn't have a monitoring and evaluation (M&E) system to allow for successful project monitoring and evaluation.

Despite the existence of a budgetary calendar with a wide consultation procedure, an extensive and highly participatory budgeting mechanism carried out each fiscal year by county governments in Kenya with the intention of having minimal budget / actual variances, there is also a consensus that county government budget production in Kenya is still small, (Adongo, 2015). This is particularly true in terms of goods, service delivery and quality (Maritim, 2013). During execution, budget variances continue to occur. This is because budgets are not explicitly connected to the planning process and the policies implemented. The discrepancy between expenditure and revenue is unceasing, leading to mini-budgets, supplementary budget projections and redistribution of budget lines (Wanyoike, 2015).

The Constitution of Kenya 2010 introduced the two-tier governance system in Kenya, where the National Government is responsible for funds mobilization and disbursement, whilst the Counties have responsibilities of regional development and efficiency in public fund management within the provisions of the Public Financial Management Act, 2012 which stipulates the budgetary restrictions and compliance controls that include; expenditure approval, public participation, financial reporting and expenditure ceilings. According to Adongo (2015), these restrictive measures are responsible to slow regional development. As a result, this was expected to spur balanced regional economic growth through prudent and increased funds absorption. However, from past studies, these measures have been identified to be responsible for slow expenditure absorption rates, especially in development budgets. In the counties, the most current figures put this at 64.9% overall, with 82.7% and 36% for recurrent and development expenditures respectively (Office of Controller of Budget, 2014).

The budgetary method in Kenya has grown on an gradual basis over the last 45 years, without any fundamental transformations. However, the nation has continuously wants to change its structures in line with the reforms and conditions for good governance of public finances. All this led to the implementation of the budgeting of the MTEF. The Government of Kenya has also been faced with the challenges of delivering enhanced services to people while at the same time requiring stakeholder engagement, organizational transparency and effectiveness as mandated by new constitutional and public finance acts. In several countries, including New Zealand , Australia, Singapore, the Netherlands , Norway , Sweden, the United States , Canada, Mauritius, Rwanda, and South Africa, budgeting has been successful, but it has also been struggling in other countries such as Sri

Lanka and Thailand (Sach, 2008). In Canada, for example, full adoption resulting in a major change in management culture would take between seven and ten years, even though there is strong leadership and successful transparency (GOK, 2006). The Kenyan budget was first introduced in 2006 and the first indicative budget was released in December 2008 for the 2008/2009 budget. The budget for 2009/10 has been provided in line as usual and no budgeting has been released to date. However, the budgetary mechanism in the Government Ministries has not been without obstacles. The budget for 2011/2012 was over Kshs. 100 billion was brought back to the treasury after it failed to be used. The money amount reimbursed impacts the progress phase of the project and also the objectives accomplishment. In addition, the Government plans to completely enforce the budget for the 2013/2014 budget (GOK, 2014). A number of unused funds may be attributed to bad timeliness or allocation for counties brought back to the treasury. It is with this in mind that the investigator aims to research the effect of budgetary enforcement by the Kericho County Government in Kenya on expenditure absorption.

1.3 Research Objectives

1.3.1 General Objective

The main objective of this study was to analyse budgetary compliance on expenditure absorption in the County government of Kericho, Kenya

1.3.2 Specific Objectives

The study was specifically designed to achieve the following objectives:

- i) Examine the effect of County expenditure approval process on expenditure absorption in the County Government of Kericho;

- ii) Establish public participation challenges encountered in public expenditure and its effect on expenditure absorption in the County Government of Kericho;
- iii) Determine how expenditure ceilings affect expenditure absorption in the County Government of Kericho
- iv) Analyze financial reporting requirements and effects on expenditure absorption in the County Government of Kericho

1.4 Research questions

The following questions guided the research:

- i) What is the effect of County expenditure approval process on expenditure absorption of the County Government of Kericho?
- ii) What is the public participation challenges encountered in public expenditure and its effect on expenditure absorption in the County Government of Kericho?
- iii) How does an expenditure ceiling affect expenditure absorption in the County Government of Kericho?
- iv) What are the financial reporting requirements and effects on expenditure absorption in the County Government of Kericho?

1.5 Significance of the Study

The study would unearth possible financial management challenges that the County Government of Kericho faces that would negatively affect its development targets through low fund absorption rate. On the basis of anticipated study outcomes, stakeholder institutions and individuals will be expected to determine their respective roles and responsibilities in refocusing the County's strategic intents.

The report is also expected to notify those responsible for budgeting in the Department of Finance of the County Government of the impact of budgetary enforcement on the absorption of expenditure by the County Government of Kericho. Scholars, writers and other field researchers may find the analysis to be a credible reference point. In practice, identifying and offering a suggestion would help the relevant stakeholders in the County Government to establish plans that, if and when adopted, would help them to alleviate budgeting problems that would otherwise require the activity in the counties.

1.6 Scope of the study

The research concentrated on the impact of budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. Specifically, the study examine the impact of County expenditure approval process on expenditure absorption in the County Government of Kericho, establish public participation challenges encountered in public expenditure and its effect on expenditure absorption in the County Government of Kericho, determine how expenditure ceilings affect expenditure absorption in the County Government of Kericho, and analysed financial reporting requirements and effects on expenditure absorption in the County Government of Kericho. The study took place between July 2018 and September 2019. The timing was ideal since the data collection was done especially after the budgeting process had been finalized. The target population was 391 employees of the County government of Kericho and a sample size of 84 was used to collect data which was sufficient for the study.

1.7 Limitations of the Study

The researcher experienced some challenges during and at the time of data collection. Some respondents lacked confidence during the data collection time as they feared disclosing some vital information. Others feared exposing the weaknesses of their companies. Getting feedback from the targeted respondents was also another hurdle. This was due to their busy schedule that required their attention in the County.

Respondents also feared that releasing some of their confidential information could be leaked to their business rivals, which in turn could be used against them. To encounter this, the researcher solved the problem by introducing the authorizing letter from the institution. The researcher also gave them assurance that the information was only meant for academic purpose and a copy of the research work would be given to them upon their request for their future reference and for personal perusal.

Collection of the data became a big challenge due to shortage of time. This is because the researcher is an employee and most of the time occupied with office work. Getting permission from the management to go for data collection was not that easy. All in all, the researcher managed to collect the data as per the stipulated time. The researcher also would wait for too long before securing a chance to interview the respondents. Sometimes the researcher would even get one questionnaire filled in a day.

1.8 Organization of the Study

The study is arranged in five sections. Chapter one deals with the introduction which includes the background, problem statement, objectives, relevance and scope of the study. The second Chapter gives both the literature and empirical reviews on the effect of

budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The third chapter sets out the research methods and design to be used, plus the definition and justification of variables. The fourth chapter provides review and interpretation of the results, while Chapter 5 covers summaries, conclusions and recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter discusses the theoretical framework and empirical studies that have been performed in the field of the association among budgetary compliance and absorption of expenditure. It also describes the various studies carried out in the field of budgetary enforcement and expenditure absorption by various scholars or researchers contributing to the conceptual structure of the research.

2.2 Theoretical Framework

The study was based on four theories that support budgetary compliance and expenditure absorption, which are the theory of budgeting, innovation diffusion theory, public choice and public budget efficiency theory, and the institutional theory as discussed below:

2.2.1 The Theory of Budgeting

The budgeting theory is an academic research of the social and political motives behind the budgeting of government and civil society. Budget theory was a central theme during the Revolutionary Period and was frequently debated in the municipal offices and other academic and quasi-academic institutions of the time, like the newly founded Brookings College. Bartle and Patricia (2008) posit that Classical public budgeting thinkers include “Henry Adams, William F. Willoughby, V. O. Key, Jr., and, more recently, Aaron Wildavsky”. Latest theorists include: “Baumgartner and Jones — Frank R. Baumgartner and Bryan D. Jones, Richard Fenno, Allen Schick, Dennis Ippolito, Naomi Caiden, Irene Rubin, James D. Savage, Thomas Greitens and Gary Wamsley”. Hirst (1987) describes that effective budgetary management solves the firm’s essence to prepare and evaluate by

what method to handle upcoming potential threats and openings by creating an effective control system, identifying variances amongst organizational goals and results. (Shields and Young, 2013). The budgets are seen to be a crucial element of an efficient control mechanism and thus a critical part of the overall definition of efficient budgetary monitoring. Budget forecasts potential financial results to determine the financial feasibility of the plan chosen. This system is formalized in most organizations by preparing annual budgets and monitoring expenditure performance. Therefore, budgets are merely a series of plans and assumptions (Silva & Jayamaha, 2012).

The budgets show the financial consequences of the business strategies, specifying the number, quantity and timing of the resources required (Shields and Young, 2013). The purpose of setting short- to medium-term targets is to provide estimates of future profits and expenses for sales and to establish short- and long-term objectives for a systematic management strategy. Management and task management benchmarks are provided by comparing actual results with budgeted plans and taking corrective steps, where necessary (Sharma, 2012). By translating business priorities and providing a benchmark by which to assess efficiency, budgets can further influence employee attitudes and actions. Such organizational planning was also considered by Hancock (2009) to be the basis of management.

The theory of budgeting guides in the budgeting planning function in this study since during budget planning processes, consideration of possible courses of action becomes an crucial part and leads to improved rationality. The budget enables the purpose of creating a performance standard with a corresponding comparison of the actual results with the

established standard. Looking ahead rather than looking back is needed by those involved (Scott, 2015). As a result, budgets have been described as playing a variety of positions, including clear targets, coding learning, promoting regulation, and contracting with outsiders, (Selznick, 2014). Fisher exemplified this by “linking compensation to performance measures against the budget”, thereby making goals explicit, communicating objectives and thereby coding learning and illuminating performance measures for individual staff of a company (Goldstein, 2015).

2.2.2 Innovation Diffusion Theory (IDT).

Also known as Innovation Diffusion Theory (IDT), Diffusion of Innovation (DOI) Theory has been developed by E.M. Rogers was one of the ancient theories in social science in 1962. It emerged in communication to describe how, over time, the concept or product gains popularity and spreads (or spreads) through a particular population or social structure. The IDT is a well-established theory providing the foundation for technology innovation diffusion research. It portrays the adoption of innovation that helps in the evaluation of technology (Rogers , 1995). The four key elements of the diffusion theory defined by Rogers (1995) are creativity, communication networks, time and the social system. Rogers argues that innovation should be viewed as new by consumer and is driven by the following five factors: sophistication, compatibility, testability, observation and relative advantage. These aspects have an effect on the implementation of device innovation and will be examined at the IFMIS. However, as Vogel and Cheung (2013) note, some of the variables have been further expanded with the advent of the perceived ease of use of information management systems, which will also be addressed in the research.

On the other hand, through certain networks, diffusion is the mechanism whereby the innovation is transmitted over time between members of the social system (Rogers , 2003). Ismail (2016) describes diffusion as the mechanism by which technology is distributed through a population of organizations. The principle of disseminating inventions typically refers to the dissemination of ideas from one society to the another, or from subject or organization within a society to other areas of this same society.

Rogers (1995) noted that three aspects of each innovation take time: the decision-making process for innovation (the process of forming an attitude towards innovation), the participant's innovation (innovators, early adopters , early majority, late majority and late majority) and the rate of acceptance (the speed at which participants of the system embrace and innovate). IFMIS is a method that requires time to implement, which is why the paper confirms the three dimensions of the time as stated by Rogers (1995) as it applies to the method. The IDT is a social structure that includes a group of interrelated units working together to solve a problem with the intention of achieving a common goal (O'Connor, 2007). Organizations may be considered to include a number of units, but all of them are working together to solve problems in order to accomplish a common objective.

The theory also includes interaction, which Rogers (1995) argues plays various roles as a mechanism at various stages of the innovation decision-making process. This study examined the numerous channels of decision-making, change agents, skills teaching and communication mechanisms used in the implementation and adoption of budgetary enforcement and its effect on the absorption of expenditure by county governments in Kenya.

2.2.3 Cognitive Evaluation Theory

Cognitive evaluation theory as suggested by Deci and Ryan (1985). The theory, that deals with intrinsic and extrinsic motivation, has motivated a significant number of empirical study over the last two decades. A job is evaluated in terms of how well it satisfied the needs to feel competent and in charge, the theory implies. If we believe that we will be able to achieve the assignment, we will be motivated internally to perform the task that does not require any more external incentive, if an individual has a stronger internal control locus, they will feel that they are responsible for how they behave where they have a stronger external control locus that they will expect the world or others to have a greater effect on them. Events that are perceived to be socially manipulating events are interpreted as a burden to attain certain results and weaken the inner motivation. Internally motivating experiences give rise to incompetence and often weaken the underlying incentive (Deci & Ryan, 1985).

The budgets provide the head of the department or section with a sense of responsibility. A source of motivation and therefore an improvement in productivity may be the feeling of being in control of the effects of the success of the department due to the achievement of the budget objectives. People may consider external incentives to have some degree of impact on them, or they may see incentives as informative, as though they reinforce feelings of competence and self-determination. If people see the motivation as more influential, they will be motivated by receiving incentives, but not by changing the necessary behaviour, (Salancik, 1975).

This theory implies that there are, in reality, two motivating mechanisms, both intrinsic and extrinsic, leading to two kinds of motivators, the intrinsic motivator encompasses responsibility for accomplishment and comes from real success and work or practice. Hattie and Timperley (2007) point out that extrinsic motivators include compensation, promotion, reviews, working conditions. Such motivators are goods that come from an individual's environment and are governed by others. For their own achievement and fulfillment, intrinsically driven individuals work. They seem to lose motivation if they do some job because of pay or working conditions, or any other extrinsic factor, (Fehr & Falk, 2002). Budget attainment is therefore a strong intrinsic motivator as it provides a sense of personal achievement and a sense of accountability for achieving the budget goal contributes to personal satisfaction, thus boosting management efficiency. Inadvertently, this leads to financial performance, and as such, the theory gets credence in constructs for monitoring and evaluation factors in this study.

2.2.4 Institutional Theory

Institutional theory goes back thousands of years ago, when, with his concept of the iron cage created by rampant institutionalization, Max Weber, an economist and social theorist, concentrated on how bureaucracies and institutions came to control our society. The integrated perspective, however, came from Scott's work (1995), who argued that "the organization gives continuity and meaning to the social actions of a company." New institutionalism as an explicit school of thinking emerged in a paper published by two political scientists (March and Olsen, 1984). Government is in the business of making, not adapting to, the conditions. Public administration is guided by dreams of society and

political ventures. Organizations concerned with public relations should also be 'conceptualized as organizations rather than tools' (Brunsson & Olsen, 1997).

Institutional theory reflects on wider and also more resilient determinants of the actions of economic actors. It reflects the mechanisms by which systems, as well as schemes; laws, standards and routines, are defined as authoritative strategies for social behaviour and broadens to clarify the economic interaction amongst a variety of economic analyses. How these elements are created, disseminated, adopted and adapted over time and space and how they fall into disrepair and disuse are explained by various aspects of institutional theory. It gives a symbolic sense of accounting, resource negotiation and negotiation, force hiding and mobilizing, change in the environment, organizational change, etc. (Covaleski et al., 2003).

Institutional theory is applied in a variety of fields, including the budgeting method. Criticism against institutional theory has, however, been posed on a variety of grounds. Scott (1995) argues that the difficulty in evaluating institutions, for example, is one of the most critical problems associated with institutional theory. It is understood that they exist, but how do they differ? Second, Bogt (2008) criticizes institutional theory as if it were more static than dynamic for managing organizations. In this respect, it is unlikely for the theory to properly consider the disparities within the institutional context, besides the relative influence of the various institutional actors and the tensions that can emerge from power relations. (Collier, 2001). Third, institutional theorists are challenged to use the theory further to explain why organisations are taking care of their environmental constraints with their sense rather than their efficiency.

Despite all such criticisms, Institutional Theory has been positioned in the budgeting procedure discipline to clarify public sector budgeting process reforms (Frumkin & Galaskiewicz, 2004). The effect of institutional constraints on the budgetary process The use of survival knowledge depends on the management of the quality and conditions of technical work activities or on the ceremonial compliance with the institutional setting (Collier, 2001). Institutional Theory was proposed in this research to direct the budgetary assessment variable by defining other variables that affect the use of knowledge on the budgeting process in the budgetary decision-making process for value and economic legitimacy. In this present study, most of the questions posed regarding institutional theory have been answered by acknowledging the presence of political and administrative actors and those required to have different positions and powers in the decision-making process of LGAs within their institutional context.

2.3 Empirical Review

A research by Qi (2010) on the effect of the budgeting process on the performance of small and medium-sized enterprises in China found that the structured budgeting process has a positive impact on the company performance. “First, the study revealed that more formalized budgeting planning leads to higher sales revenue. Secondly, budget goal characteristics strongly affect the budgetary performance of Chinese **SMEs**, thus clear budget goals lead to higher goal achievement, whereas, difficult (but attainable) budget goals increase the motivation of employees to achieve budget standards. Thirdly, the study discovered that the more formalized budgetary control tends to lead to a higher growth in profit of a firm”.

Mohammed and Ali (2013) research on interrelationship among budgeting and performance of Remittance organizations in Somalia opined that there was a very strong correlation amongst budgeting and performance of firm. The correlation between budgeting and firm performance has been established as 0.514, which implies that an increase in the efficiency of the budget will result in 0.514 greater performance of the firm. A probability that this correlation coefficient will occur by chance is 0.00. 0.00 is the probability that the correlation coefficient will occur. The coefficient illustrates that there is a statistically relevant, moderately positive associations among budgeting and firm performance.

Isaboke, (2013) showed that financial potential was important when used to measure the financial performance of the County Government in relation to the effect of the budgetary process on financial performance. This was shown by a interviewee who stated a favorable perception of facets of financial capability. Further study of the correlations showed a strong positive interrelationship among the financial capability and the financial performance of the county government. The research proposed to improve the financial capability of the budget procedure as it would enable the County Government to carry out its financial obligations effectively.

Budget process is motivated on appropriation by the levels of revenues collected for use. Baurer (2005) in a World Bank Study about the administration of taxes and small and medium enterprises in the developing countries notes that the corrupt staff may add onto the high information asymmetry and sources of poor relations with the relevant enterprise communities. In addition, there is lack of goodwill to establish a self-assessment and a

model to compliance of the relevant laws. Subsequently, the lack of specialization in the tax department administration it has proven with difficulty to ensure comprehensive filing of the returns from the public enterprises. He concludes noting that, a fairly tax compliant institution does encourage taxpayers' responsiveness and limits evaders of the same benefiting mutually the small and medium enterprises and collecting authorities.

Pashev (2005) in a study Corruption and tax compliance: challenges to tax policy and administration conducted in Bulgaria, it found out that there is a negative correlation between the amount of wage and the magnitude of corruption. In addition, there is lack of proper interpretation of the government rules and regulations, offer an ample room for the officials to engage in fraudulent activities and illegal fees collections. This is commonly observed with poorly structured tax system. It may include the double taxation and informal enterprises may not be subject to these hefty taxations levies. It further found out there is a significant ability in curbing the taxpayer motivated corruption.

In a study on "The Politics of Taxation and Implications for Accountability in Ghana 1981-2008" by Prichard, (2008) covering a 27 year period in Ghana's tax administration and collections, it found out a significant evidence of taxation requiring great accountability and that the relationship has periodically evolved depending on the time and tax categories or types with the context of them. It further, observes that in Ghana, the local tax officials have for most times discouraged the local enterprises to pay for the local administration than National Government. This indicates low levels of tax collections and massive deficit gaps in the national budget. In a World Bank Policy working paper series study paper about subnational taxation in developing countries with focus on the developing countries over a

period of ten years using published tax and revenue data by the relevant institutions, the study found out that inadequacy experienced by revenue or tax collections pushes high the low levels of revenues contributed to the exchequer (Bird, 2010) whereby it employed secondary method of data collection, covering time series data for the analysis.

In a review study by Kayaga, (2010) on Tax Policy Challenges Facing the Developing Countries with focus on Uganda which employed secondary data with use of time series data in a ten year period for analysis, it found out that, there was need for the Government to check on the tax reforms to increase equity and service provision to the population while ensuring improvement to the small and medium enterprises. Further, this provides non-capacity encouragement to adhere to the relevant ethical laws as most of the staff recruited embraces the vices thus providing the Government agencies with low tax inputs. There is need to have enough tax collectors to avoid tax evasion and budgetary deficits. Subsequently, the low levels of enough knowledge about the taxation laws and concepts have been a key contributor to high financial restrictions experienced by major Governments (Kayaga, 2010).

In Fjeldstad and Haggstaf (2012) report on local government revenue mobilization in English-speaking Africa, which included Uganda Local Authorities, secondary data collected from revenue agencies collected for analysis and results findings were used in various Ugandan district local authorities. The study concluded that progressive training of tax collectors was required and that accountability systems were in imminent need of employment by the governments concerned.

Chiumya (2006) observed in a research “Counteracting Tax Evasion in Malawi: An Analysis of the Methods and a Quest for Improvement” conducted in Malawi over a decade of tax collection period, that the illegal tax practices have contributed to poor turnovers over a period of time. The study had obtained secondary data from time series data collected in the period of ten years by the Malawi Revenue Authority and analysed capturing the objectives of the study about evasion of taxes and mode of tax collections.

In a study investigating the tax collection challenges in the County of Nairobi, Simiyu (2010), by use of both secondary and primary data obtained by answering questionnaires, found that tax collectors chosen bribery to minimize tax liability, therefore leading to a high level of little tax assemblages or losses. The investigator used the descriptive research design and the questionnaire to gather data on the basis of the research objectives.

Mwikali and Lucy (2016) researched factors that affect the staff output of Kenyan county governments, a case study of Mombasa County, the investigator used a descriptive survey template and collected data by completing questionnaires with inferential and descriptive data analysis by using statistical package for social sciences. It found out that teaching of employees had an important effect on the efficiency of county governments, whilst the morale of workers and the accessibility of resources or funds had no influence on them.

A study on the impact of budgetary and budgeting control conducted by Zipporah (2017) determined that the government of the county faced difficulties in enforcing its budget, such as failure to comply with the budgetary timeliness of the 2012 PFM Act. The investigator acknowledged that budgeting and budget control lets the county government approximate its revenue and expenditure for its financial year. The investigator proposed

that in the financial year, county government appropriation bills should be passed, that county government productivity should be measured, that budget laws should be well followed to prevent financial performance difficulties.

Kiriria (2013) noted that the 2012 Public Finance Management Act outlines the guidelines on how national and county governments should collect and spend money. Section 125 of the Public Finance Management Act 2012 lays out a protocol to be adhered to in the budgeting procedure at County level. He claims that, in order to ensure the efficient management of the public sector and the economy, an effective PFM framework must be in place at the county level. According to research conducted by the World Bank (2012), guidelines and models should be made up to direct the formulation of county budgets. Moreover, World Bank is proposing a nation-wide map of accounts for the planning, execution and monitoring of the budget. Additionally, counties will be required to build sufficient PFM, human resources and service delivery capability.

Gacheru (2012) did a research on the impact of the budgetary control system on expenditure variance in the project-based companies. The study used a sample size of 21 and, in order to interpret the results, the researcher used a summary of the research design process, which describes the issue of whom, where and where the budgetary control mechanism and the budgetary control mechanism significantly influence the budgetary variance of that organization. Maritim (2013) (2013) examined the impact of the budgeting on the financial performance of Parastatals' manufacturing and commercial activities in Kenya. It has been identified that the budgetary practices that are common among firms are budgetary preparation, budget participation, budget participation and budgetary

sophistication. However, the involvement of workers in the budgeting process has resulted in greater progress in the execution of the agenda set out in a specific timeframe preceded by budget preparation. Consequently, the findings reinforced the urge for a participatory budgeting system involving all staff cadres through their sectional heads and incorporating their views into the budget process. The development of a feedback system has also been described as important in the implementation of the budget.

2.3.1 County Expenditure Approval Process and Expenditure Absorption

Han (2016) claimed that the county government should comply with the laws of the county assemblies when conducting their duties in order to ensure that people receive the expected benefits. Appropriation bills to allow county executives to remove funds from the County Revenue Fund and approve county budget spending are passed by County Assembly members. The PFM Act (2012) allows members of the county assembly to approve the fiscal policy paper outlining the revenue and expenditure forecasts for the coming year. It is also important to pass legislation on detailed revenue-raising initiatives to allow the county government to raise own-source revenue in order to fund budgeted programs.

If well understood and implemented, County expenditure approval procedure is an efficient and valuable management accounting technique that contributes greatly to firm's growth and development (Suberu, 2010). The value of the approval procedure for County expenditure, which relates to the organizational goals set, the duties assigned to the achievement of those goals and subsequently carried out, (Drake & Fabozzi, 2011). It promotes the wise use of resources available, improves decision-making and acts as a reference point in the assessment of organizational effectiveness. Despite the potential

advantages of the expenditure approval process, public sector institutions in Kenya have continued to perform dismally in their budgetary procedure (Wanyoike, 2015). The problem is not unique to Kenya, as some 85 per cent of governments around the globe are struggling to offer the public sufficient information to keep them liable.

Budgets, with an appropriate monitoring and accountability system, will better help performance management by incorporating known results, which have regular recasting of budgets and are related to the study of financial performance patterns (MelekEker 2007). Adongo (2013), states that well crafted and good executed budget got the potential to upgrade people's socio-economic welfare, the advancement of finance projects and public administration help. The best way to do this is through a successful budgeting mechanism.

Administrative decentralization has led to the transition of substantive functions to the County Governments in whole or in part. The transition of functional responsibilities was followed by fiscal devolution in which the financial authority was moved to the transferred units through reducing requirements for the transition of fiscal resources between central and county governments. This gives the greater authority of the county government to administer the equalization fund distributed to the counties and to raise its revenue (GoK, 2010). Kwale County Government is among 47 Counties formed in Kenya with the proclamation of the 2010 Kenyan Constitution. Kwale County is situated on the furthest south coast of Kenyan country and is neglected for very many years. Kwale County shall plan its yearly budget in proportion to the CIDP and MTEP. County budget process will see the county government plan, accept and execute its budget. In any given year, the county budget process comprises of three instantaneous review, implementation and

preparation activities. When preparation for the following year's budget is underway, the budget for the earlier year is being revised and the new budget is being enforced.

2.3.2 Public Participation and Expenditure Absorption

In the design of budgets, all persons responsible for producing outcomes should be consulted. No budgetary control mechanism will function without the mutual understanding of superiors and subordinates. The company should notify all related personnel of the results of the budget decisions. Budgets have a vital part to play in communicating the goals, objectives and responsibilities of the company. Properly applied, this can have important benefits in promoting collaboration at all levels (Callahan and Waymire, 2007).

Participation ensures full cooperation and adherence to efficient budgets. The budget is also made more practical and workable by participation (Simiyu, 2002). Management and staff should work together to ensure that the interests of all stakeholders are adequately reflected when making important budget allocation decisions on key programs, in order to ensure that the implementation of the budget process is successful.

In practice, achieving sustained improvement in operational effectiveness is likely to be the hard part in the reform of the budget process. The Ministry of Finance was found to be unable to undertake intersectoral reallocations unless it had the capacity to determine the competitive benefit of the programmes. This entails an iterative method focused on an evaluation of both allocative and organizational performance, as it would be inefficient to devote resources to high priority tasks if they were not used effectively. This addressed the issue of both recurring services and public expenditure programmes. The measurement of

benefits might reflect marginal productivity and the fact that unit costs appear to occur as coverage increases. There was also a need to establish processes that would ensure a comprehensive and effective selection and design of the project evaluation. Ensuring operational performance in the planning and budgetary framework requires adequate incentives and structural structures to be placed in place. Management must be granted greater control in the conduct of its operations. It was crucial that outputs or performance goals for ongoing projects were defined in advance so that real accomplishments could be compared to expectations during implementation. The publication of annual reports outlining all the accomplishments is one way to encourage greater transparency and making sure that management is accountable.

The modern approach to budgeting and budget reform has culminated in a series of rules, procedures and guidelines. Over time, however, players master the rules of the game and learn how to outwit them. Management should find ways to satisfy its needs. Likewise, new systems could become routine over time, and as the incentive to enforce the rules waned, they were likely to be discarded. The forward budget in Kenya is supposed to be a medium-term review of the programme, but because it has spanned three fiscal years instead of one, it has gradually degenerated into daily incremental line budgeting. To avoid this outcome, care must be taken to ensure that the guardians of the structure remain in charge and are able to maintain obedience.

It is challenging for evolving nations to make reliable predictions of the accessibility of capital. Economies having a limited revenue base would depend on external financing and would not be ready to respond to adverse shocks, such as a downturn in the term of trade.

These could hinder the achievement of the goals, minimize transparency and weaken the integrity of the budget process. Expenditure needs and revenue shortfalls or withdrawing of donor funding would force even the most dedicated government either to renounce its commitment to fiscal discipline or to cut back on the planned spending programs, thereby threatening both allocative and operational performance. The lack of flexibility in reacting to these challenges could cause budget makers to return to the conventional practice of implementing cross-border cuts. The enforcement of budget cuts during implementation and the continued activity of cash budget programs implies that the allocation of money in outer years will not meet indicative budget ceilings and will exclude many of the anticipated advantages of the budgetary method.

2.3.3 Expenditure Ceilings Effect and Expenditure Absorption

The expenditure ceiling is based on the spending level according to the technical decision on spending limits. The county and national treasuries shall, by means of the Budget Review and Outlook Paper or the County Budget Review and Outlook Paper published in September and to be administered by the Cabinet and the Legislative Assembly at each level of government, convey the indicative budget ceilings to the various sectors. The Budget Analysis and Outlook Paper provide the first indication of how much the health sector will continue to receive; thus, prior to publication, measures should be taken to lobby for more health funding.

Ochanda (2012) examined effect of the middle-term spending system on the working performance of Kenyan government ministries. Study has shown that adherence to budget ceilings has a negative effect on the efficiency of government ministries in Kenya.

However, the research was hindered by poor access to info and the irregularity of financial info obtained in relation to all other publications of the same kind, and by the re-organization of the Ministry. Ochanda (2012), recommends the ties among budgeting and planning to be reinforced and IFMIS be rolled out to operational areas to advance productivity and quality of knowledge, and also to develop effective incentive and penalty structures to promote responsible fiscal responsibility.

2.4.4 Financial Reporting Requirements and Expenditure Absorption

Accounting and reporting investigates if correct and dependable documents are kept and info is generated and promulgated at suitable periods to support making of decision, management and reporting. There exist three metrics under this pillar: honesty of financial records, annual budget reports and annual financial results.

Generally, several counties conform to the defined schedules where bank reconciliations for all participating county government accounts take place on a monthly basis. ³ However, cases have been reported where counties have continued to operate bank accounts of dissolved local authorities, even after opening county bank accounts, contrary to the provisions of the County Government Public Finance Management Transi. In addition, one county kept suspense accounts that were reconciled on a monthly basis and resolved by the end of the financial year. All counties are now preparing reconciliation reports on a monthly basis, and imprest accounts are now being reconciled on an annual basis, but in some cases the amounts are not cleared because the payroll recovery process has not been applied.

Counties have formed IFMIS in accordance with Sections 109(1) and 110 of the 2012 PFM Act. With the approval of the accounting officer, the Department of National Treasury IFMIS is responsible for incorporating new users into the scheme. Counties have verification units that protect data integrity through pre-payment verification prior to entry into the system. However, these units are not responsible for verifying the quality of the financial results. Device users have passwords and the device maintains an audit trail (user log) along with their activities. Changes to reports shall be approved by the heads of departments. However, low IFMIS connectivity hindered the timely preparation of the review of the implementation of the budget and the supervision of the implementation of the budget. The counties also written monthly and quarterly budget reports, which are budgeted against real spending. The reports come in their own template, so that the original budget can be compared to the expenditure in the main administrative headings. In addition, the budget progress reports are prepared on a quarterly basis and are published at least four weeks after the end of each quarter. However, there are instances in which county budget execution reports are prepared quarterly and published within eight (8) weeks of the end of each quarter.

Counties use IPSAS cash in accordance with the laws of Kenya to prepare annual financial statements. The annual financial statements of the counties shall include a review of the appropriations, the original budget and the adjustments in line with the actual figures for the financial year in question. The annual reports shall be drawn up on the basis of a structure established by the Public Sector Accounting Standards Board. Meanwhile, Kenya 's Public Accounting Standards Board is developing a framework for all county governments to move to the IPSAS accrual foundation.

2.4 Summary of the Literature Review and Gaps.

Table 2.1: Summary of Literature Review and Gaps.

Author	Title	Purpose	Findings	Gaps to be filled
Baurer (2005)	Administration of taxes and small and medium enterprises in the developing countries	Tax compliance and responsiveness	a fairly tax compliant institution does encourage taxpayers' responsiveness and limits evaders of the same	Future studies should be done to find out factors influencing specialization in the tax department
Chiumya (2006)	Counteracting Tax Evasion in Malawi	Evasion of taxes and mode of tax collections.	illegal tax practices have contributed to poor turnovers over a time span	Future research must be done to discuss ways in which to reduce tax evasion
Drake, P., & Fabozzi, F.J., (2011).	The Basics of Finance: An Introduction to Financial Markets, Business Finance, and Portfolio Management	Exploration, basic way, topics like cash flow analysis, asset valuation, capital budgeting, and derivatives.	Projects included in the capital budget are sanctioned, giving way to further fact gathering and analysis, and approved, permitting expenditures for the projects	The context of the study is corporate while the context of the proposed study is public service in regard to counties. The principles of budgeting although are the same, the contexts are different due to the target population.
Fjeldstad and Haggstad, (2012)	Local government revenue mobilisation in Anglophone Africa	.Local government revenue mobilization	that there is necessity for progressive teaching of tax collectors and actions employed for culpability	Future studies should be done to find out how measures employed for accountability would benefit the government
Gacheru, N. (2012).	The effect of budgeting process on Budget Variance in NGOs in Kenya	The impact of the budgeting procedure on budget variance in NGOs in Kenya	Budget preparation, budgetary control and budget implementation to a great extent impact budget variance	There is a contextual gap in that the study was on NGO's while this study is on the county government of Kericho.

Author	Title	Purpose	Findings	Gaps to be filled
Kayaga, (2010)	Budgeting Policy Challenges Facing the Developing Countries with focus on Uganda	Budgeting Policy Challenges Facing the Developing Countries	There is need for the Government to check on the Budget reforms to increase equity and service provision to the population while ensuring improvement to the small and medium enterprises	There is a conceptual gap in that the study focused on the challenges in budgeting while this study has utilized other variables. There is a contextual gap in that the study was done in Uganda while this one was done in Kenya.
Ochanda (2012).	The influence of middle term expenditure framework on operational effectiveness of Kenyan government ministries	investigate the effect of MTEF on operational effectiveness of Government ministries, s	Adhering to Expenditure ceilings has a undesirable outcome on the performance of Kenyan Government Ministries.	Secondary data was used in the study and it also used the census method. The proposed study utilized primary data and random sampling method was used to get the sample size. Hence there is a methodological gap.
Pashev (2005)	challenges to tax policy and administration conducted in Bulgaria	Corruption and tax compliance	there is a negative correlation between the amount of wage and the magnitude of corruption	Further research must be done to determine factors which enable the ability to curb the taxpayer motivated corruption.
Prichard, (2008)	The Politics of Taxation and Implications for Accountability in Ghana 1981-2008	Ghana's tax administration and collections	taxation requires great accountability	Future studies should be done to determine ways to fill the massive deficit gaps in the national budget

Author	Title	Purpose	Findings	Gaps to be filled
Suberu, 2010	Budgeting strategies in selected federal Polytechnic libraries in Nigeria.	Strategies used in Budgeting of Polytechnics.	The funding situation in federal polytechnic libraries is insufficient. A situation where federal polytechnic libraries depend singly on library donations and subvention from the Educational Trust Fund is not suitable.	The context is also different from the proposed study which will be done in Kenya and this study was done in Nigeria. Such studies need to be extended to the Counties in Kenya. Attitude in budget formulation needs to be investigated as some accountants view it as a waste of time.
Zipporah (2017)	Effects of budgeting and budgetary control	Budget implementation and compliance	Budgeting and budgeting control assists county governments in estimating its revenue and expenditure in each financial year	Future studies should be done on Kericho county government

Source: Author, (2020)

2.5 Conceptual Framework

The independent variable was expenditure absorption which includes; County expenditure approval process, public participation challenges, expenditure ceilings and financial reporting requirements. The dependent variable of the study was expenditure absorption in the County Government of Kericho.

Independent variables

Dependent variables

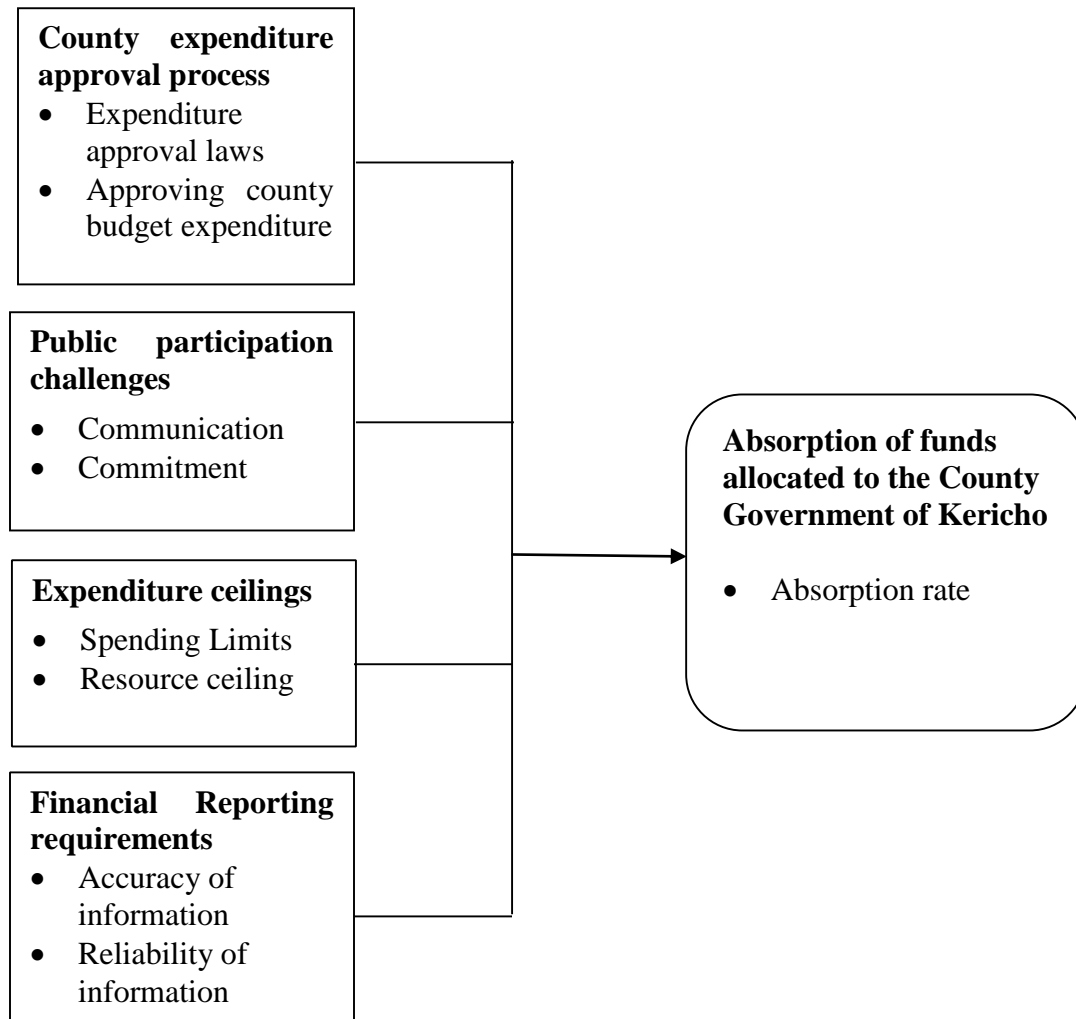


Figure 2.1. Conceptual framework

Source: (Author, 2020)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter explains the method and design used in conducting the study. It sets out the study design, target population, sampling decisions, methods used in the collection of data and data analysis techniques.

3.2 Research Design

Research design was described by Thornhill (2003) as a course of action that a researcher must take to solve a problem. A descriptive survey format was adopted in this review. Surveys are helpful for identifying a broad population's characteristics. Furthermore, high reliability is easily achieved by offering a clear stimulus to all subjects that ensures that observer subjectivity is significantly eliminated (Mugenda & Mugenda, 1999). Robson (2002) argues that surveys are the collection of data from a population through interviews or the application of questionnaires to a representative sample of that population. This design was chosen because very large samples are feasible, making the results statistically significant even while measuring a variety of variables. Consequently, the nature of the descriptive survey was chosen because the respondents were expected to identify the situation as it is in the Kericho County Government. This saved the time of the researcher as the respondents gave a summary the details on the subject.

3.3 Target Population

The population within this study constituted the whole political, technical and civic leadership of the Kericho County Government which, at the time of the research, resided within the boundaries of the said county. In addition, the county has an addition of 391

members of staff in the categories of public employees, elected and attached to the Transitional Authority.

3.4 Sampling Design

Mugenda and Mugenda (2003) propose that at least a sample size of 10% of the target population should be used in a descriptive study. Kombo and Tromp (2005) added that the survey population must have no less than 30 respondents so as to have a credible analysis. The determination of the sample was motivated by the need to obtain a sample that is representative, to the degree possible, of the population as a whole. Because the target population includes individuals from various cohorts, a stratified random sample was used to select 84 respondents from sub-county categories. This sampling technique must be used when the population of interest is not homogeneous; in this specific case, the population of interest is made of various staff members. For the above target population of 391 a sample size of 21.5% was taken to make a sample size of 84 respondents

3.5 Data Collection Instrument

This sets out how data were obtained and analyzed for the analysis. The research used a questionnaire for the collection of primary data. Questionnaire is suitable for studies as it collects knowledge that is not clearly measurable as it inquires about emotions, motives, behaviors, achievements as well as individual experiences, Mellenbergh (2008). There were open as well as closed questions in the questionnaire. Franker, (2006) noted that in gathering objective data, the questionnaire was successful because the researcher in no way manipulated the participants. In addition, questionnaires have the added benefit of being less costly and utilizing less time as tools for data collection.

3.6 Validity and Reliability of Research Instruments

3.6.1 Validity of the Research Instrument

Validity may be interpreted as the extent to which the data analysis outcomes actually reflect the phenomenon under research (Mugenda & Mugenda, 1999). The validity of the data collection tools makes sure that items in the tool are representative of the subject area, and the validity of the content makes sure that instruments really measures what it is intended to measure, (Fraenkel & Wallen, 2000). The questionnaire was pre-tested by asking respondents if the questions were well worded and easy to understood, and the validity of the research tools was identified by defining the study professionals' choices. Determining the validity of the questionnaire was one of the primary reasons for the pilot research. The research used the validity of the contents to assess the validity of the questionnaires. The research used the validity of the contents to assess the validity of the questionnaires. Content validity includes representativeness of the sample population. The knowledge and skills covered by the test items should be indicative of the wider area of knowledge and abilities (Gillham, 2008).

3.6.2 Reliability of the Research Instrument

When it is regularly used to collect data from a population of the same sample, a reliable instrument continuously produces the same findings (Orodho, 2005). Therefore, reliability is the degree to which, when conducted many times, test instruments produce accurate results (Shaw & Wright, 1969). The instrument is accurate when, under similar circumstances, the variable is modified regularly and correctly. The accuracy of the answers to the researcher 's questions concerned the reliability of the questionnaire (Mitchell, 1996).

The pilot group assessed the reliability of the questionnaire through the administration of the said tool. Research has used the most regular internal consistency measure known as the alpha of Cronbach. It highlights the degree to which it is possible to interpret the set of test items as a single latent variable (Rousson, Gasser & Seiefer, 2002) In the calculation of the interest principle, the reliability coefficient of 0.75 was representative of internal precision (Frankell & Wallen, 2000; Mugenda & Mugenda, 2008). The reliability coefficient of 0.75 was indicative of internal accuracy in the measurement of the interest principle (Frankell & Wallen, 2000; Mugenda & Mugenda, 2008).

3.7 Data Collection Procedure

In this study, primary data was gathered by use of semi structured questionnaire. Research questionnaires had both open and closed ended questions. The researcher interviewed respondents in person. The data instrument presented the four study objectives thus subdividing them into two parts. The first section of the questionnaire called for abstract details on the respondents, while the next sections tried to respond to the four objectives. The study included three research assistants helping the intended respondents to distribute questionnaires. The questionnaires were administered by drop and a later method was chosen

3.8 Data analysis and Presentation

Before processing the replies, the preparation of the data on the filled up questionnaires was carried out by editing, coding, entering and cleaning the data. Both qualitative and quantitative data were produced by the study. Quantitative data were encoded and entered in the Statistical Packages for Social Scientists (SPSS Version 22.0) and analyzed using

descriptive and inferential statistics. Qualitative data was analyzed on the basis of the consistency of the answer. Responses to common themes or patterns were grouped together into cohesive categories. Descriptive statistics included the use of absolute and relative (percentage) frequencies, core pattern measurements and dispersion (medium and standard deviations, respectively). The descriptive statistical instruments helped to define the data and to assess the levels of agreement between the respondents and the different statements under each factor. The study also employed inferential statistics in the form of multiple regressions to establish effect of budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The regression analysis is beneficial to the study in that this type of statistical calculation gives counties a way to see into the future.

The regression equation was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where Y represents expenditure absorption of Kericho County government,

β_0 is a constant term,

X₁- County expenditure approval process,

X₂- Public participation challenges,

X₃- Expenditure ceilings

X₄- Financial reporting requirements

ε -Error term

The data was presented in tables and graphs, whereas the interpretation was expressed in prose.

The normality test (skewness and kurtosis test) was used to assess whether or not the data follows a normal distribution, since many of the statistical methods, including correlation, regression, and so on, are based on the premise that the data follows a normal distribution. Multicollinearity was used to determine the relationship between independent variables. Multicollinearity is a problem in multiple regressions that arise when one or all of the independent variables are strongly correlated with one or all of the other independent variables.

3.9 Ethical Consideration

Research ethics supports research goals, encourages teamwork in the field, increases transparency, enables public participation and, above all, fosters moral and social values. Honesty was found with the respondents. The research obtained an approval for data collection from the Kenyatta University board. The researcher further sought and received a permit and authorization for data collection from NACOSTI. and sought informed consent of respondents by ensuring that respondents signed a consent form to proof that there was no coercing of the participants. The investigator also used fairness and never discriminated against a respondent who was sampled. Transmittal letter from the responsible authorities to the management of the intervention agencies presenting the researcher and proposing the type of the research being carried out. Respondents were also advised that the data collected was used strictly for research purposes in order to protect confidentiality.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter present the findings on budgetary compliance on expenditure absorption in the County government of Kericho. The study was done on a sample of 84 respondents to which questionnaires were administered. The chapter introduces the analysis conducted as per the research objective.

4.2 Questionnaire Response Rate

The section presents information on the response rate in relation to questionnaires that were returned and not returned from the field. Findings on filled in questionnaires and unreturned questionnaires are presented in Table 4.1.

Table 4.1: Response Rate

Response	Frequency (n)	Percentage (%)
Filled in questionnaires	72	85.7
Un returned questionnaires	12	14.3
Total Response Rate	84	100

Source: Field Data (2019)

Out of the sampled population, 72 questionnaires were returned duly filled in creation a response rate of 85.7%. The response rate was representative and was adequately used to answer the research question. A Response rate above 50% is enough for analysis and presenting; a rate of 60% is good and a response rate of 70% and over is good (Kothari, 2009).

4.3. Test for Statistical Assumptions and Analysis of Likert-Type Data

Statistical procedures are based on assumptions that, if broken, will not only weaken expressive analysis but would also cause bias and insufficient study inferences. To prevent the invalidation of statistical assumptions, this research carried out diagnostic tests to guarantee that: Error terms are typically dispersed with a zero mean, error terms have constant variance avoiding heteroscedasticity, error terms are linearly independent to avoid autocorrelation, no multicollinearity or solid linear association among variables in regressor models put together, and e) there is a stationary stage of the panel. Description of how best type I and type II errors were managed during statistical tests and the conversion of the ordinal data obtained using Likert scales to quasi-interval data for higher statistical computations is also explained.

4.3.1 Test for Normality

This study used many parametric methods based on the assumption that the population was usually distributed, such as correlation analysis, regression analysis and variance analysis. This assumption should be cautiously taken to ensure that the findings may otherwise be made misleading and incorrect in relation to the phenomena under consideration. The Shapiro-Wilk Test, based on the association among the data and the corresponding normal scores, was used to determine that the study data were collected from the normal population because it provides higher power compared to the K-S test, even after the Lilliefors correlation.

Researchers also propose the Shapiro-Wilk Test as it uses the power to measure and measure test values for normality. Furthermore, since this study had a sample greater than

30, a single Shapiro-Wilk Normality Test was appropriate since parametric tests did not significantly affect non-normality. Shapiro-Wilk test tests null hypothesis is tested for a sample from a typically dispersed population is given by $X_1, X_2, X_3, X_4, \dots, X_n$, Shapiro-Wilk Test (W) is given by:

$$W = \frac{\left(\sum_{i=1}^n a_i x_{(i)}\right)^2}{\sum_{i=1}^n (x_i - \bar{x})^2}$$

where:

x_i are the ordered random sample values,

a_i are constants got from covariances, variances and means of the sample (size n) from a normally distributed sample.

Results of a small value of W suggest that this sample isn't usually dispersed, thereby rejecting the null hypothesis that the population is usually divided into values at a given level of significance. In this analysis, Shapiro-Wilk (W) was calculated using SPSS software at a 95 percent significance level. Since p-values were approaching 1 for $\alpha \geq 0.05$, the null hypothesis wasn't dismissed, thus inference that the study population was normally divided. The outcomes of the Shapiro-Wilk Test are shown in Table 4.2.

Table 4.2: Shapiro-Wilk Test for Normality

Variable	Shapiro-Wilk Test (W)		
	Statistic	Df	Sig
Absorption of Funds Allocated	0.942	72	0.014
County Expenditure Approval Process	0.961	72	0.026
Public Participation Challenges	0.966	72	0.033
Expenditure Ceilings	0.972	72	0.043
Financial Reporting Requirements	0.975	72	0.04

4.3.2 Test for Multicollinearity

Multicollinearity among independent variables was measured using the Variance Inflation Factor (VIF) or Tolerance Analysis at 2.5 to inform the incorporation of other analytical techniques such as factor analysis. The inflation rate of the variance of the calculated regression coefficients in relation to the non-linear relationship between the experimental variables. Although the appropriate VIF levels suggest that there is no multicollinearity between 1 and 10 (Allison, 1991). In this analysis, tolerance values ($1 / \text{VIF}$) of less than 0.4 (VIF greater than 2.5) suggest the existence of multicollinearity, thereby depicting large standard errors that can be removed by large sample sizes (Allison, 1991).

4.3.3 Test for Homoscedasticity and Heteroscedasticity

Heteroscedasticity arises if the variance of error term varies from one observation to another. Heteroscedasticity is useful in evaluating whether there is a discrepancy between the residual variance of the measurement period and the other measurement period (Godfrey, 1996). The research used the Glejser test (1969) based on the residual regression value of the independent variable. In this case, if the Sig, it is presumed. $\text{Price} > 0.05$, there is no problem with heteroscedasticity. The results of the Heteroscedasticity experiments were presented in Table 4.3.

Table 4.3: Test for Heteroscedasticity

Coefficients^a					
Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	1.182	.018		3.856	.000
County Expenditure Approval Process	.115	.027	.148	0.156	.001
Public Participation Challenges	.102	.045	.121	0.258	.002
Expenditure Ceilings	.156	.051	.432	0.481	.0014
Financial Reporting Requirements	.162	.089	.221	0.463	.002

a. Dependent Variable: Expenditure Absorption in the County Government Of Kericho

Founded on the output coefficients, the attained Sig. values are >0.05 , thus there is no problem of Heteroscedasticity. There is also no difference in residual variance between independent and dependent variables evaluated.

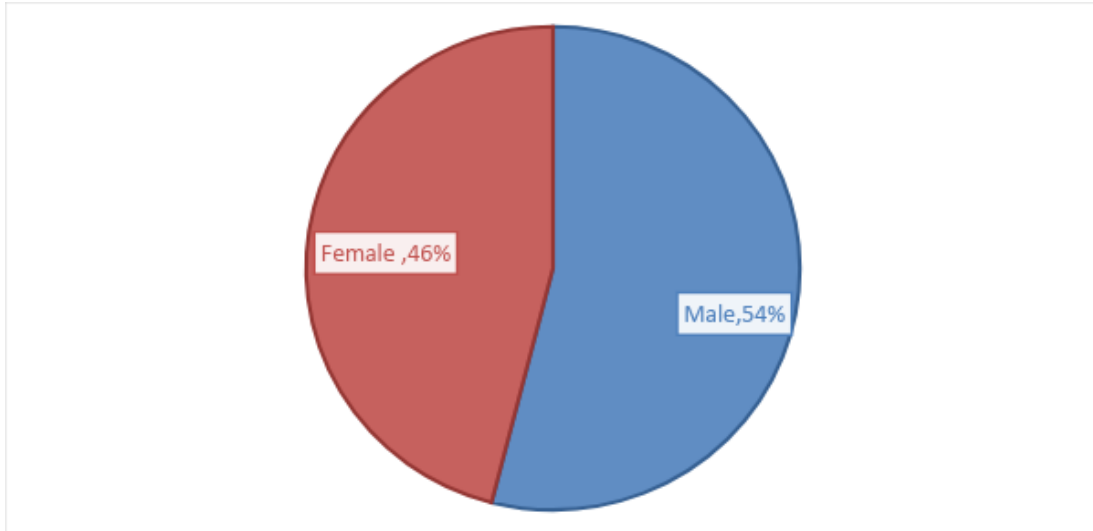
4.4. Background of Information

The background information included gender, age, education level , as well as length of time respondents have lived in Kericho. The results are presented in the below sections:

4.4.1. Respondents Gender

The respondents were requested to indicate their gender. This was important as it enabled the researcher to determine whether there was gender disparity in the County government of Kericho. The findings are shown in figure 4.1

Figure 4.1: Respondents Gender



From the results above, the majority respondents (54%) were male while 46% were females. This depicts that most of the people working at County government of Kericho were males showing gender disparity.

4.4.2. Distribution of Respondents by Age

This research was intended to assess the age of the respondents and the results are as shown in Table 4.4.

Table 4.4: Distribution of Respondents by Age

	Frequency	Percentage (%)
35 years and below	10	13.9
36-45 years	31	43.1
46-55 years	19	26.4
56-65 years	7	9.7
Over 65 years	5	6.9
Total	72	100%

According to the findings most (43.1%) of the respondents were between 36-45 years, 26.4% were 46-55 years, 13.9% were below 35 years, 9.7% were 56-65 years, while 6.9 were over 65 years. It indicates that most of the respondents were old enough and could therefore provide high-quality data because of their experience.

4.4.3. Respondents Educational Level

The respondents were requested to indicate their level of education. This was important as it enabled the researcher to know whether the respondents had enough knowledge to answer question regarding budgetary compliance on expenditure absorption. The outcomes are shown in the Table below.

Table 4.5: Respondents Educational Level

Education Level	Frequency	Percentage
Postgraduate	35	48.6
Undergraduate	19	26.4
Diploma	10	13.9
Certificate	8	11.1
Total	72	100

From the findings above most (48.6%) of the respondents indicated they had postgraduate level of education, 26.48% indicated they had undergraduate education level, 13.9% had diploma education level and 11.1% indicated they had certificate education level. This depicts that the respondents were learned enough to be able to understand the issues to do with budgetary compliance on expenditure absorption.

4.4.4. Duration of Time Respondents have Lived in Kericho

The respondents were requested to specify the time they lived in Kericho. The outcomes on analysis of respondent's length of time they have lived in Kericho is presented on Table 4.6.

Table 4.6: Duration of Time Respondents have Lived in Kericho

	Frequency	Percentage (%)
1-5 years	6	8.3
11-15 years	10	13.9
16-20 years	30	41.7
21 years and above	26	36.1
Total	72	100%

From the results, most (41.7%) of the respondents had lived in Kericho for a duration of 16-20 years, 36.1% indicated 21 years and above, 13.9% indicated 11-15 years, while 8.3% indicated 1-5 years. This suggests that respondents had lived in Kericho for a longer duration of time and hence higher chances of getting reliable data in relation to budgetary compliance on expenditure absorption.

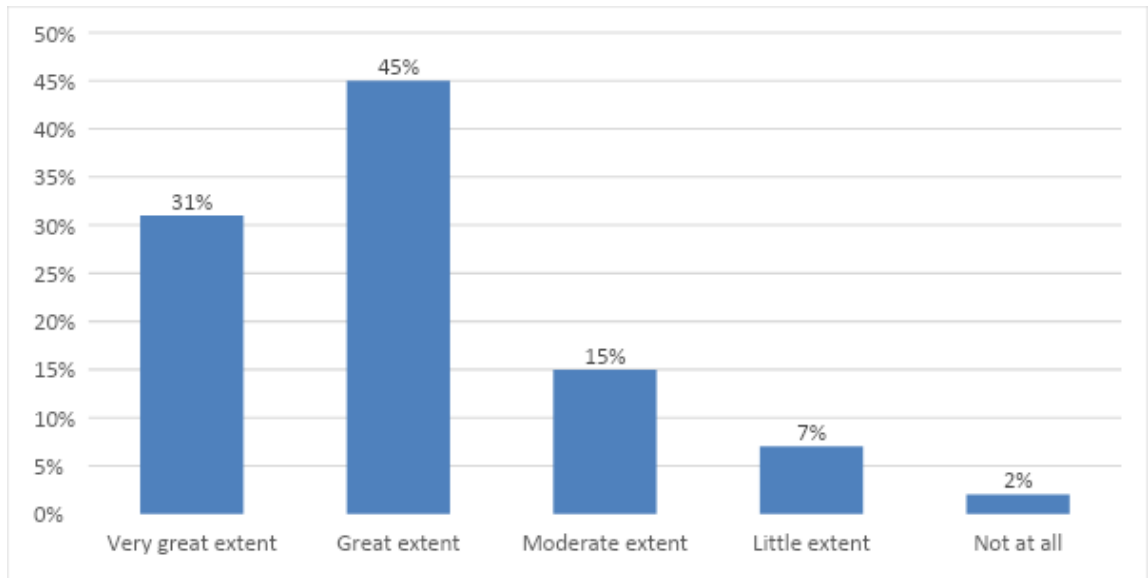
4.5. County Expenditure Approval Process

This section presents findings on county expenditure approval process. The findings are presented in the following subsections:

4.5.1. Extent to which County Expenditure Approval Process affects Expenditure Absorption

The respondents were requested to show the degree to which County expenditure approval process affect expenditure absorption. The conclusions are presented in figure 4.2.

Figure 4.2: Extent to which County Expenditure Approval Process affects Expenditure Absorption



From the results above, most (45%) of the respondents indicated to a great extent that County expenditure approval process affect expenditure absorption, 31% showed to a very great extent, 15% showed moderate extent, 7% showed little extent, while 2% showed no extent. This depicts that to a great extent that county expenditure approval process affect expenditure absorption.

4.5.2. Effect of Expenditure ceiling on Expenditure Absorption in Kericho County

Respondents were requested to show the degree to which various statements influence Expenditure Absorption in Kericho. The replies were placed on a five likert scale in which, 1=not at all, 2-little extent, 3-moderate extent, 4=great extent, while 5=very great extent. The findings are shown in table 4.7.

Table 4.7: Extent to which of Effect on Expenditure Absorption in Kericho

Statements	Mean	Std. Dev
Expenditure approval laws	4.27	0.5324
Approving county budget expenditure	4.22	0.5632

Source: Researcher (2020)

From the findings above, the respondents indicated to a great extent that expenditure approval laws affect expenditure absorption in Kericho (men=4.27), followed by approving county budget expenditure affects expenditure absorption in Kericho (mean=4.22). This depicts that to a great extent that expenditure approval laws affect expenditure absorption in Kericho.

4.5.3. Increased Effective Budgetary Approval in Kericho County Government

The respondents were requested to indicate what should be done to ensure that there is increased effective budgetary approval in Kericho County government. According to the respondent's delay caused by disagreements between the county executive and county assembly leads to delay in the implementation of projects. In addition, the respondents indicated that budget appropriation affects absorption in that those that are benefiting (staffs, CECs, and MCAs) are absorbed at almost 98% than those development executives.

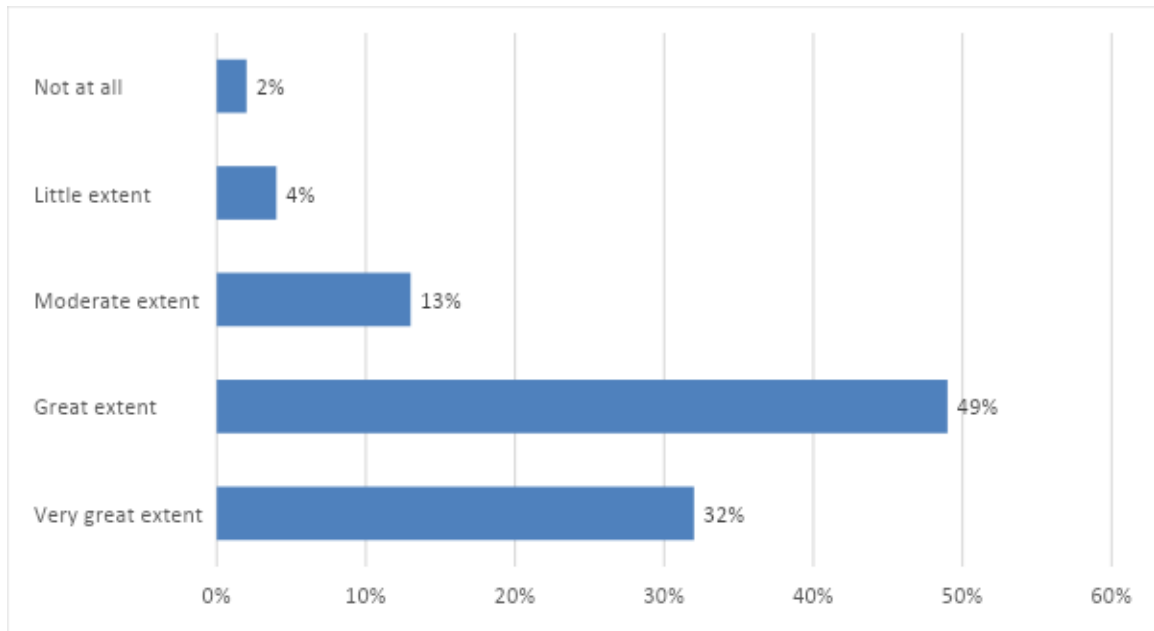
4.6. Public Participation Challenges

This section presents findings on public participation challenges. The findings are presented in the following subsections:

4.6.1. Extent of Effect of Public Participation Challenges on Expenditure Absorption

Respondents were asked to indicate the extent to which public participation tasks affect expenditure absorption. The outcomes are indicated in figure 4.3.

Figure 4.3: Extent of Effect of Public Participation Challenges on Expenditure Absorption



Source: Researcher (2020)

From the findings above, most of the respondents (49%) indicated to a great extent that public participation challenges affect expenditure absorption, 32% reported to a very great extent, 13% reported moderate extent, 4% reported little extent, while 2% reported no extent. This depicts that to a great extent that public participation challenges affect expenditure absorption.

4.6.2. Extent of Effect on Expenditure Absorption in Kericho

The respondents were requested to indicate the level at which numerous statements influence Expenditure Absorption in Kericho. The answers were put on a five likert scale in which, 1=not at all, 2-little extent, 3-moderate extent, 4=great extent, while 5=very great extent. The findings are shown in table 4.8.

Table 4.8: Extent to which of Effect on Expenditure Absorption in Kericho

Statements	Mean	Std. Dev
Communication	4.15	0.1340
Commitment	4.09	0.1126
Violence	3.99	0.1982

Source:(Researcher 2020)

From the outcomes the respondents indicated to a great extent that communication impact expenditure absorption in Kericho (men=4.15), followed by commitment (mean=4.09) and violence (mean=3.99). This depicts that to a great extent that communication affect expenditure absorption in Kericho.

4.6.3. Views on Budgetary Compliance and Expenditure Absorption

The respondents were requested to provide their view on budgetary compliance and expenditure absorption in Kericho County. According to the respondents integration of public submissions is minimal because nearly all the views of the citizens are not captured in. In addition, the respondents indicated that there is prioritization of the projects because the citizens will push their leaders to facilitate the implementation of the projects. In relation to the public oversight the respondents indicated that not many citizens are aware of the oversight mechanism and they had to blame the executive in oversight instead of the MCAs.

4.7. Expenditure Ceilings

This section presents findings on Expenditure Ceilings. The findings are presented in the following subsections:

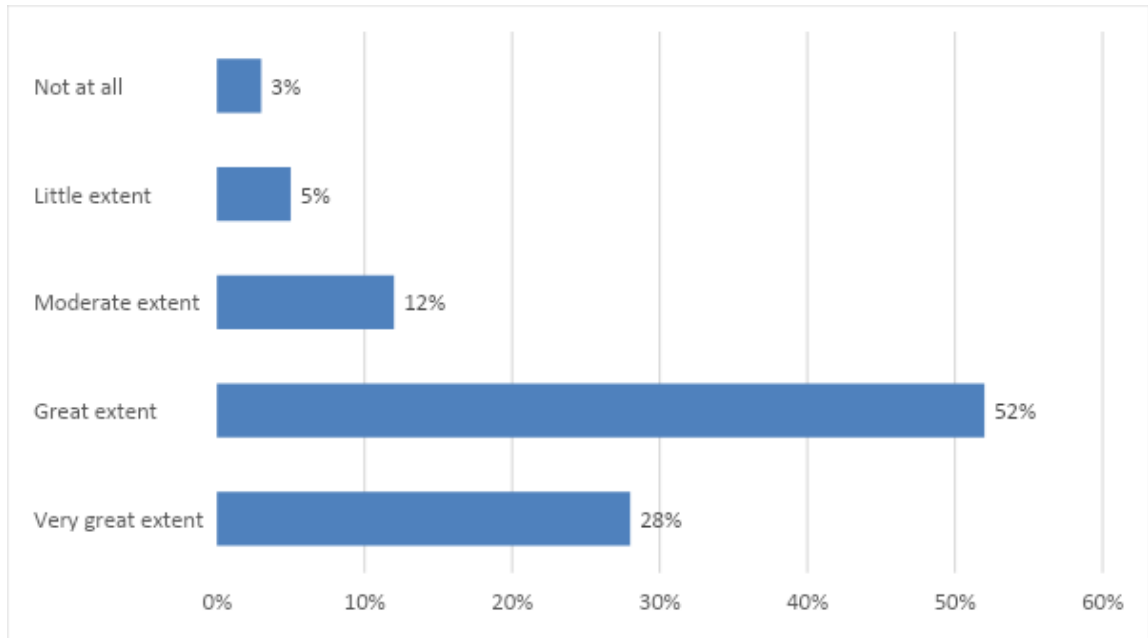
4.7.1. Measures to have More Efficient Expenditure Absorption

The respondents were asked to show the measures they could recommend to county government of Kericho to have more efficient expenditure absorption. In relation to sector spending the respondents indicated that those expenditures that are for domestic staff cost are fully utilized but those that are for development are not fully utilized. In relation to the exchequer requisition the respondents indicated that it does not affect the executive. The executive requests the cash in time but the national treasury does not disburse the funds in time.

4.7.2. Extent of Effect of Expenditure Ceilings on Expenditure Absorption

The respondents were requested to show the extent in which expenditure ceilings affect expenditure absorption. The outcomes are shown in figure 4.4.

Figure 4.4: Extent of Effect of Expenditure Ceilings on Expenditure Absorption



Source: Researcher (2020)

From the findings majority (52%) of the respondents indicated to a great extent that expenditure ceilings affect expenditure absorption, 28% reported to a very great extent, 12% reported moderate extent, 5% reported little extent, while 3% reported no extent. This depicts that to a great extent that expenditure ceilings affect expenditure absorption.

4.7.3. Extent of Effect on Expenditure Absorption in Kericho

The respondents were invited to indicate extent to which numerous statements influence Expenditure Absorption in Kericho. The answers were placed on a five likert scale in which, 1=not at all, 2-little extent, 3-moderate extent, 4=great extent, while 5=very great extent. The findings are shown in table 4.9.

Table 4.9: Extent to which of effect on Expenditure Absorption in Kericho

Statements	Mean	Std. Dev
Spending Limits	4.39	0.4423
Resource ceiling	4.12	0.4012
Increased inflation	4.25	0.4589

Source: Researcher (2020)

From the findings the respondents indicated to a great extent that spending limits affect expenditure absorption in Kericho (mean=4.39), followed by increased inflation (mean=4.25) and resource ceiling (mean=4.12). This depicts that to a great extent that spending limits affect expenditure absorption in Kericho.

4.8. Financial Reporting Requirements

This section presents findings on financial reporting requirements. The findings are presented in the following subsections:

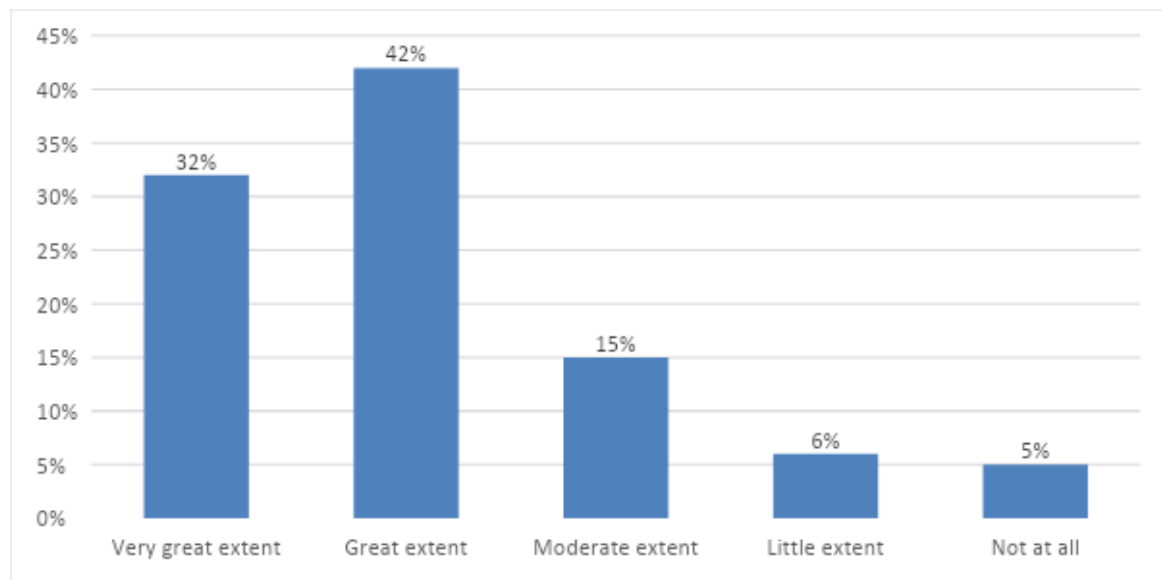
4.8.1. Financial Reporting Requirements Affect Absorption of Funds

The respondents were requested to indicate how financial reporting requirements affect absorption of funds allocated to the County Government of Kericho. According to the respondents the accounting standards pushes the executive to ensure that all budget is implemented appropriately. The respondents further indicated that timely and accurate reporting in quarterly basis assist the county in identifying areas of over/under absorption. The respondents further indicated that active participation of the county helps in identifying areas of weakness hence direct resources to facilitate development.

4.8.2. Extent of Effect of Financial Reporting Requirements on Expenditure Absorption

The respondents were requested to specify the extent to which financial reporting requirements affect expenditure absorption. The findings are presented in figure 4.5.

Figure 4.5: Extent of Effect of Financial Reporting Requirements on Expenditure Absorption



Source: Researcher (2020)

From the findings most (42%) of the respondents specified to a great extent that financial reporting requirements affect expenditure absorption, 32% showed to a very great extent, 15% specified moderate extent, 6% showed little extent, while 5% showed no extent. This depicts that to a great extent that financial reporting requirements affect expenditure absorption.

4.8.3. Extent of Effect on Expenditure Absorption in Kericho

Respondents were requested to show extent to which numerous statements affect Expenditure Absorption in Kericho. The answers were placed on a five likert scale in which, 1=not at all, 2-little extent, 3-moderate extent, 4=great extent, while 5=very great extent. The findings are shown in table 4.10.

Table 4.10: Extent to which of Effect on Expenditure Absorption in Kericho

Statements	Mean	Std. Dev
Accounting standards	3.99	0.2190
Auditing standards	3.82	0.2287
Appropriate levels of surveillance and enforcement	3.79	0.2374

Source: Researcher (2020)

From the findings the respondents indicated to a great extent that accounting standards affect expenditure absorption in Kericho (men=3.99), followed by auditing standards (mean=3.82) and appropriate levels of surveillance and enforcement (mean=3.79). This depicts that to a great extent that accounting standards affect expenditure absorption in Kericho.

4.9. Regression Analysis

The research applied multiple regression analysis to find the association among the predictor variables and expenditure absorption in the County government of Kericho, Kenya. After cleaning and encoding data from the field, the study used SPSS version 24 to generate regression statistics. To show how the change in the dependent variable could be interpreted by the change in the independent variables, the coefficient of determination was used. The dependent variable for the current study was the absorption of spending in the

County government of Kericho, Kenya whilst independent variables were county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements.

4.9.1. Model Summary

The below table shows the model summary of the association among the predictor variables and expenditure absorption in the County government of Kericho, Kenya. The results are indicated in table 4.11.

Table 4.11: Model Summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	F	P-value
1	0.89	.792	.742	.312	31.341	.001

Source: Researcher (2020)

- a. Predictors: (Constant), county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements.
- b. Dependent Variable: Expenditure Absorption in the County government of Kericho, Kenya

From the above results, $R^2=0.792$ which is 79.2% disparity in expenditure absorption in the County government of Kericho, Kenya is described by the independent variable in the model. Yet, 20.8% unexplained variance in expenditure absorption in the County government of Kericho, Kenya is the outcome of other unrepresented determinants in the regression model. According to results in table above, it could be determined that the model is successful and could be used for estimation aim. A significant relationship has been formed by the results in the table, which is shown by the variables as shown in $R^2=0.792$

that is 79.2 percent, which indicates that there is a significant association among the independent variables and the expenditure absorption in the County government of Kericho, Kenya.

4.9.2 ANOVA Results

The below table shows the ANOVA outcomes of the interrelationship among the predictor variables and expenditure absorption in the County government of Kericho, Kenya. The results are indicated in table 4.12.

Table 4.12: ANOVA of the Regression

Model		Sum of Squares	f	Mean Square	F	Sig.
1	Regression	12.492	4	3.123	25.185	.002 ^a
	Residual	8.308	67	.124		
Total		20.8	71			

Source: Researcher (2020)

a. Predictors: (Constant), county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements.

b. Dependent Variable: Expenditure Absorption in the County government of Kericho, Kenya

The value of significance is 0.002, which is less than 0.05, so the model is statistically significant in predicting how variables are calculated (county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements) impact the expenditure absorption in the County government of Kericho.

The F critical at 5% level of significance was 3.123. Meanwhile F calculated is greater than the F critical (value = 25.185), this indicates that the overall model was significant.

4.9.3 Coefficient of Determination

The below table shows the coefficient of determination on the interrelationship among the predictor variables and Expenditure Absorption in the County government of Kericho, Kenya. The results are as indicated in table 4.13.

Table 4.13: Coefficient of Determination

	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	Sig.
Model 1(Constant)	0.289	0.116		2.491	0.005
County expenditure approval process	0.319	0.122	0.514	2.61	0.001
Public participation challenges	0.287	0.117	0.452	2.45	0.002
Expenditure ceilings	0.245	0.106	0.413	2.31	0.001
Financial reporting requirements	0.229	0.098	0.398	2.34	0.001

a. **Dependent Variable:** Expenditure Absorption in the County government of Kericho, Kenya

Source: Researcher (2020)

Simple regression analysis was conducted as to determine the expenditure absorption in the County government of Kericho, Kenya. As per the SPSS generated table below, regression equation

$$(Y = \alpha + \beta_1X_1+ \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon)$$

Becomes:

$$(Y= 0.289+ 0.319+ 0.287+ 0.245+ 0.229+ \epsilon)$$

From the regression taking the independent variable at constant (county expenditure approval process, public participation challenges, expenditure ceilings, and monetary reporting requirements) constant at zero, expenditure absorption in the County government of Kericho, Kenya was 0.289. The data findings analysed also showed the taking all other independent variables at zero, a unit increase in county expenditure approval process will lead to a 0.319 increase in expenditure absorption in the County government of Kericho, Kenya, a unit increase in public participation challenges will lead to a 0.287 increase in expenditure absorption in the County government of Kericho, Kenya, a unit increase in expenditure ceilings will lead to a 0.245 increase in expenditure absorption in the County government of Kericho, Kenya, and a unit increase in financial reporting requirements will lead to a 0.229 increase in expenditure absorption in the County government of Kericho, Kenya. This infers that county expenditure approval process contribute the most to expenditure absorption in the County government of Kericho, Kenya, followed by public participation challenges. At 5% level of significance and 95% level of confidence, county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements were all significant on expenditure absorption in the County government of Kericho, Kenya.

4.10. Discussion of Findings

The study found that to a great extent that county expenditure approval process affect expenditure absorption. The study also found that to a great extent that expenditure approval laws affect expenditure absorption in Kericho. Han (2016) opined that the county government should comply with the laws of the county assemblies when conducting their duties in order to ensure that people receive the expected benefits. Members of the County

Assembly pass appropriation bills to allow the county executive to remove funds from the county. The study found that delay caused by disagreements between the county executive and county assembly leads to delay in the execution of schemes. In addition, the research found that budget appropriation affects absorption in that those that are benefiting (staffs, CECs, and MCAs) are absorbed at almost 98% than those development executives.

The research found that to a great extent that public participation challenges affect expenditure absorption. The research found that to a great extent that communication affect expenditure absorption in Kericho. Further the study found that public submissions is minimal because nearly all the views of the citizens are not captured in. In addition, there is prioritization of the projects because the citizens will push their leaders to facilitate the implementation of the projects. In relation to the public oversight the study found that not many citizens are aware of the oversight mechanism and they had to blame the executive in oversight instead of the MCAs. Participation ensures complete cooperation and dedication to effective budgets. Participation also makes budgets both practical and workable (Simiyu, 2002). In order to ensure that the budget implementation process is effective, management and staff can work together to ensure that the interests of all stakeholders are adequately reflected when making important decisions concerning budgetary allocations in key projects.

The study found that those expenditures that are for domestic staff cost are fully utilized but those that are for development are not fully utilized. In relation to the exchequer requisition the study found that it does not affect the executive. The executive requests the cash in time but the national treasury does not disburse the funds in time. The research

opined to a great extent that expenditure ceilings affect expenditure absorption. The research similarly found that to a great extent that spending limits affect expenditure absorption in Kericho.

The study found that the accounting standards pushes the executive to ensure that all budget is implemented correctly. Ochanda (2012) examined the effect of the medium-term spending system on the operational performance of Kenyan government ministries. Study has shown that loyalty to budget ceilings has a undesirable effect on the efficiency of Kenyan government ministries. However, the study was limited by the unavailability of info and the irregularity of financial info obtained in relation to all other publications of a similar kind, as well as by the re-organization of the Ministry.

The study also found that timely and accurate reporting in quarterly basis assist the county in identifying areas of over/under absorption. The study further found that active participation of the county helps in identifying areas of weakness hence direct resources to facilitate development. The research found that to a great extent that financial reporting requirements affect expenditure absorption. The research also found that to a great extent that accounting standards affect expenditure absorption in Kericho. The findings agree with study by Pretorius, C., & Pretorius, N. (2008) who stated that All counties are now planning reconciliation reports on a monthly basis, and imprest accounts are also reconciled on an annual basis, although in some cases the sums are not cleared as the payroll recovery mechanism has not been enforced. In addition, budget execution reports are prepared on a quarterly basis and are released at least four weeks after the end of each quarter.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presented summary, conclusion and recommendations on budgetary compliance on expenditure absorption in the County government of Kericho, Kenya.

5.2. Summary of Findings

5.2.1 County Expenditure Approval Process and Expenditure Absorption

The study found that county expenditure approval process affects expenditure absorption to a great extent. The research also found that that expenditure approval laws affect expenditure absorption in County government of Kericho to a great extent. The study found that delay caused by disagreements between the county executive and county assembly leads to delay in the employment of projects. In addition, the research found that budget appropriation affects absorption in that those that are benefiting (staffs, CECs, and MCAs) are absorbed at almost 98% than those development executives.

A study conducted by Frumence, et al (2014) agrees to this by indicating that to assess the dependency on funding of central government of decentralized health systems focusing on the experiences, challenges and coping strategies in the Kongwa District, Tanzania revealed that: on the distribution of funds on time from the central to the local government, comparatively, funds for personal emolument were disbursed on time and as per the budget approved by the national treasury. However, funds for other costs were disbursed late. Reasons cited for the late disbursement of funds included that the government depended wholly upon revenue collection to generate funds for allocation and in most cases, the revenue collection were not enough to cover both personnel emoluments and other costs

such as development. Secondly, bureaucracy involved in the approval funds prior to their allocation was a main cause of delay for this particular type of funds.

Additionally bureaucracies were orchestrated by the various organs involved in the approval of funds. Hospitals used tactics such as borrowing money from other programs to continue implementation, securing supplies and repairing vehicles on credit to cope with the delayed disbursement of central government funds, to ensure continuity of operations in the midst of late disbursement of funds. In a study conducted in Botswana between 1990 and 2007, Nkamelu (2011) found that there was a substantial delay at the start of the project between the loan commitment date and the request for the first disbursement of funds for an average of 20.1 months, which had a negative effect on preliminary activities such as the assembly of the PIU and the launch of the project.

5.2.2 Public Participation and Expenditure Absorption

The research found that to a great extent that public participation challenges affect expenditure absorption. The research found that to a great extent that communication affect expenditure absorption in Kericho. Further the study found that public submissions are minimal because nearly all the views of the citizens are not captured in. In addition, there is prioritization of the projects because the citizens will push their leaders to facilitate the implementation of the projects. In relation to the public oversight the study found that not many citizens are aware of the oversight mechanism and they had to blame the executive in oversight instead of the MCAs. This is in line with Barasa and Eising (2012) who, in their studies, argued that community engagement is an significant aspect of the 2030 vision, since devolution is the key to the social and economic pillars. Policy-making, the

management of public resources and the sharing of taxes and, in particular, the allocation of funds, are likely to become key factors for emerging economies and will need to be actively involved in order to properly target money. In addition, Omolo (2010) postulates that in the budgeting, execution and monitoring and assessment aspects of development projects, there is a need for dedicated and improved consultation and sharing of the knowledge process.

5.3.3 Expenditure Ceilings Effect and Expenditure Absorption

The study found that those expenditures that are for domestic staff cost are fully utilized but those that are for development are not fully utilized. In relation to the exchequer requisition the study found that it does not affect the executive. The executive requests the cash in time but the national treasury does not disburse the funds in time. The research found that to a great extent that expenditure ceilings affect expenditure absorption. The research found that to a great extent that spending limits affect expenditure absorption in Kericho. The study agrees with Orina, S. M., Obwogi, J., & Nasieku, T. M. (2019) who opine that Budget allocations must be made on the basis of annual planning plans and the county 's total fund and budgets for county departments and agencies in the budget projections should be consistent with the limits set out in the Budget Policy Statement (BPS).

Second, the counties should continue to ensure that the budgetary allocations take into account the projected revenue and expenditure projections and that the counties' budgets contain narrative information on how past budgetary implementation challenges are addressed through the next year's budget. County governments should continue enhancing

the capacities of their budget offices to enable these offices to better coordinate and communicate information regarding the budgetary allocations to all county government departments. County governments should develop a policy that all budget-making workers should be qualified to improve their budget-making skills and ensure that this is completely implemented, (Orina, *et al.*, 2019).

5.3.4 Financial Reporting Requirements and Expenditure Absorption

The study found that the accounting standard pushes the executive to ensure that all budget is implemented appropriately. The study also found that timely and accurate reporting in quarterly basis assist the county in identifying areas of over/under absorption. The study further found that active participation of the county helps in identifying areas of weakness hence direct resources to facilitate development. The research found out that to a great extent that financial reporting requirements affect expenditure absorption. The research also found out that to a great extent that accounting standards affect expenditure absorption in Kericho. Theletsane (2014) claims that the control of real revenue or expense data is carried out by a constant comparison of actual results with budgeted performance and by frequent reporting of variances to the responsible officers. This helps to identify the reasons for the discrepancies in real and budgeted results and to take effective corrective action. Emerging experience from the public sectors in both industrial and developing.

Kiriria (2013) noted that the 2012 Public Finance Management Act sets out rules on how national and county governments can raise and spend money. Section 125 of the Public Finance Management Act 2012 lays out the protocol to be followed in the budgeting process at County level. He suggests that an effective county-level PFM system must be in

place to ensure good governance of the public sector and the economy. Research by the World Bank (2012) advises that guidelines and models to guide the formulation of county budgets should be developed. Moreover, for the preparation, implementation and control of the budget, the World Bank proposes a country-wide map of accounts. In addition, the counties would be expected to build adequate capacity for PFM, human resources and service delivery.

The study found that county expenditure approval process contributes the most to expenditure absorption in the County government of Kericho, Kenya, followed by public participation challenges. At 5% level of significance and 95% level of confidence, county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements were all significant on expenditure absorption in the County government of Kericho, Kenya.

5.3. Conclusion of the Study

The study concluded that county expenditure approval process affects expenditure absorption to a great extent. The study also concluded that to a great extent that expenditure approval laws affect expenditure absorption in Kericho. The study concluded that delay caused by disagreements between the county executive and county assembly leads to delay in the implementation of projects.

The study concluded that public submissions are minimal because nearly all the views of the citizens are not captured in. In addition, there is prioritization of the projects because the citizens will push their leaders to facilitate the implementation of the projects. In

relation to the public oversight the study concluded that not many citizens are aware of the oversight mechanism and they had to blame the executive in oversight instead of the MCAs

In relation to the exchequer requisition the study concluded that it does not affect the executive. The executive requests the cash in time but the national treasury does not disburse the funds in time. The study concluded that to a great extent that expenditure ceiling affect expenditure absorption. The study also concluded that to a great extent that spending limits affect expenditure absorption in Kericho

The study concluded that timely and accurate reporting in quarterly basis assist the county in identifying areas of over/under absorption. The study further concluded that active participation of the county helps in identifying areas of weakness hence direct resources to facilitate development. The study concluded that to a great extent that financial reporting requirements affect expenditure absorption. The study also concluded that to a great extent that accounting standards affect expenditure absorption in Kericho.

5.4. Recommendations of the Study

With the findings and conclusions made in this study, the researcher therefore recommends for policy implementations that; Generally, fiscal stimulus plays an important role in the economic growth and development of the county, particularly if the monetary policy of the county is restrictive and does not help to create better economic conditions for firms to increase their productivity. More fiscal control, which will reduce the excess of government spending, should therefore be encouraged.

The low investment profile in the county is explained by deficit financing and a heavy external debt burden. Consequently, this calls on the county government to redirect its

economic policy in favor of private investors by discouraging high government spending and maintaining a low fiscal deficit.

Further, the study recommends that budgeting approaches and philosophies that are modern should be adopted since they minimise financial mishandling. Budgets have been used to attain cost-effectiveness, in planning, in procedures, in scheduling tasks, in encouraging efficiency, in communicating plans and procedures, and in assessment and auditing. Budgetary involvement can be used as measures to improve the engagement of county workers and, as a result, county results, because the lack of commitment of workers contributes to a low rate of participation of people, a psychological withdrawal reflected in lower levels of personal investment and poor risk-taking behaviour.

5.5. Limitations of the Study

The researcher experienced some challenges during and at the time of data collection. Some respondents lacked confidence during the data collection time as they feared disclosing some vital information. Others feared exposing the weaknesses of their companies. Getting feedback from the targeted respondents was also another hurdle. This was due to their busy schedule that required their attention in the County.

Respondents also feared that releasing some of their confidential information could be leaked to their business rivals, which in turn could be used against them. To encounter this, the researcher solved the problem by introducing the authorizing letter from the institution. The researcher also gave them assurance that the information was only meant for academic purpose and a copy of the research work would be given to them upon their request for their future reference and for personal perusal.

Collection of the data became a big challenge due to shortage of time. This is because the researcher has an employment and most of the time occupied with office work. Getting permission from the management to go for data collection was not that easy. All in all, the researcher managed to collect the data as per the stipulated time. The researcher also would wait for too long before securing a chance to interview the respondents. Sometimes the researcher would even get one questionnaire filled in a day.

5.6. Suggestions for Further Research

The research focused on the budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The study recommends that further research should be done on the budgetary compliance on expenditure absorption in other counties to allow for generalization purposes and benchmarking.

In addition, a research study can be formulated to carry out the challenges facing budgetary compliance in Kenya. From the conclusions and the findings, the study endorses an in-depth study to be done on the interrelationship among budgetary compliance and performance rather than just expenditure absorption.

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APPENDICES

Appendix 1: Introduction Letter

LANGAT LENARD

P.O Box 28235 00200

NAIROBI

Dear Sir/madam,

I'm a master student of Business and Administration student at Kenyatta University. I'm undertaking a study entitled, Effect of Budgetary Compliance on Expenditure Absorption in the County Government of Kericho, Kenya

You've been designated as one of those taking part in this research. Please answer the following questions as honestly as you can. Your response will only be used for the aim of this research only. The information provided will be treated with strict privacy.

Thank you in advance.

Yours sincerely,

LANGAT LENARD

Appendix 2: Research Questionnaire

Section A: Background Information

1. Your gender: Male [] Female []

2. Your age bracket (Tick where appropriate)

a) Below 35 years []

b) 36- 45 years []

c) 46- 55 years []

d) 56-65 years []

e) Over 65 years []

f) Others please specify.....

3. What is your highest education level?

Post Graduate []

Undergraduate []

Diploma []

Certificate []

Any other (specify).....

1. For how long have you lived in Kericho?

1 to 5 years []

6 to 10 years []

11 to 15 years []

16 to 20 years []

21 years and above []

EFFECT OF BUDGETARY COMPLIANCE ON EXPENDITURE ABSORPTION

County expenditure approval process

5 To what extent does County expenditure approval process affect expenditure absorption in Kericho?

Very great extent [5] Great extent [4]

Moderate extent [3] Little extent [2]

Not at all [1]

6 To what extent does the following affect expenditure absorption in Kericho?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Expenditure approval laws					
Approving county budget expenditure					

7. In your view what should be done to ensure that there is increased effective budgetary approval in Kericho County government?

.....
.....

Public Participation Challenges

8. To what extent does Public participation challenges affect expenditure absorption in Kericho?

Very great extent [] Great extent []

Moderate extent [] Little extent []

Not at all []

9) To what extent does the following affect expenditure absorption in Kericho?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Communication					
Commitment					
Violence					

10) What are your views on budgetary compliance and expenditure absorption in Kericho County?

.....

Expenditure Ceilings

11) What measures would you recommend to the county government of Kericho to have more efficient expenditure absorption?

.....

12) To what extent do Expenditure ceilings affect expenditure absorption in Kericho?

Very great extent [5] Great extent [4]
 Moderate extent [3] Little extent [2]
 Not at all [1]

13) To what extent does the following affect expenditure absorption in Kericho?

	Very great extent	Great extent	Moderate extent	Little extent	Not at All
Spending Limits					
Resource ceiling					
Increased inflation					

Financial Reporting Requirements

14) How does financial reporting requirements affect absorption of funds allocated to the County Government of Kericho?

.....

15) To what extent do financial reporting requirements affect expenditure absorption in Kericho?

Very great extent [] Great extent []
 Moderate extent [] Little extent []
 Not at all []

16) To what extent does the following affect expenditure absorption in Kericho?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Accounting standards					
Auditing standards					
Appropriate levels of surveillance and enforcement					

THANK YOU