

**PUBLIC FINANCIAL MANAGEMENT PRACTICES EFFECT ON
BUDGETARY ABSORPTION IN MANDERA COUNTY, KENYA**

BY

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DECLARATION

I hereby declare that this research project is my original work and has not been submitted to any university or institution for any award

Signature..... Date.....

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This research project has been carried out under my supervision as the university supervisor.

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DEDICATION

I dedicate this work to my family and friends for standing by me as i carried out the study.

ACKNOWLEDGMENT

I would like to acknowledge the contribution of my supervisor Dr Eddie Simiyu for his continued guidance, my family and friends for their valued contribution and input towards this study. I am grateful to all the Kenyatta University staff for helping me access necessary information and materials for development of this research.

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OPERATIONAL DEFINITION OF TERMS

Budget Management	This is the analysis, organization and oversight of costs and expenditures for a business or organization.
Budgetary Absorption	This represents the efficiency and effectiveness to which a country is capable of spending allocation of its structural funds, that is expressed in percentage form of the entire allocations
Financial Administration	Refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization.
Financial Controls	These are the policies and procedures put into place by a business or organization to track, manage and report its financial resources and transactions.
Fiscal Accountability	Refers to resolution of audit citing, audits of various programs, conducting fiscal reviews, receipt of audits of auxiliary departments and it acts as liaison to external auditors and other agencies regarding audits of government departments.
Public Finance Management Practices	This is an area that focuses on the prioritization and use of scarce resources, on ensuring effective utilization of public resources, and on attaining value for money in meeting the objectives of Government and in particular delivering services to the people through efficient budgetary

absorption

Gross Domestic Product

This is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. It includes all private and public consumption, government outlays, investments, private inventories, paid-in construction costs and the foreign balance of trade

**Integrated
Management
Systems**

**Financial
Information**

This refers more specifically to the computerization of public financial management (PFM) processes

LIST OF ABBREVIATION AND ACRONYMS

ALH	Analyst License Holders
BIRR	Budget Implementation Review Report
CABRI	Collaborative Africa Budget Reform Initiative
GDP	Gross Domestic Product
GAPR	Government Annual Performance Report
IFMIS	Integrated Financial Management Information Systems
OBT	Output-Budgeting Tool
PFM	Public Financial Management
PFMP	Public Financial Management Practices
SPSS	Statistical Package for the Social Sciences

ABSTRACT

In order for the government of Kenya to meet its fiscal objectives, it is necessary that county government effectively be able to spend budgeted provisions to the highest levels. Government officers need to understand the importance of being able to fully utilize funds as budgeted and as efficiently as possible so as to have an impact to the highest population. The broad objective of this study was to establish the effects of public financial management practices on budgetary absorption in Mandera County, Kenya. The specific objectives of this study were to determine the effect of financial administration on budgetary absorption in Mandera County, to find out if financial controls has an effect on budgetary absorption in Mandera County, to determine the effect of budget management on budgetary absorption in Mandera County and to find out the effectiveness of fiscal accountability on budgetary absorption in Mandera County. The theories reviewed were new public management theory, peacock and Wiseman's theory of expenditure, theory of financial control and differential association theory. This study adopted a descriptive research design. The target population for this study was all employees of Mandera County in the finance department totaling to 105. Primary data was derived from questionnaires. Content analysis was used on qualitative data collected. On the other hand the researcher used inferential statistics that includes multiple linear regression model and correlation models to analyse the quantitative data. This study used descriptive statistics in the form of the mean, median and frequency distribution table as the measure of central tendency and standard deviation as the measure of spread. The findings revealed that there was a significant association between financial administration reports and budgetary absorption. The findings revealed a significant relationship between financial control processes and budgetary absorption. The findings revealed that there was a significant association between budget management and budgetary absorption. The findings revealed that there was a significant association between fiscal accountability reviews and budgetary absorption. Based on the findings the study concluded that financial administration reports, financial control processes, budget management and fiscal accountability reviews have a positive and a significant effect on budgetary absorption. The study recommended that financial administration employees should also be engaged in the county projects that involve government funding. The study also recommended that the organizations should hire professionally trained personnel in the finance department to ensure that they are conversant with the financial reporting standards for improved financial performance. The study recommended that organizations should undertake effective financial control processes to ensure that funds are utilized optimally and for the intended purposes. This in turn leads to improved financial performance. It is recommended that organizations should undertake regular financial audits in order to identify discrepancies in the expenditures. The study also recommended that organizations should adopt fiscal accountability measures which may include segregation of accounting activities eventually leading to improved performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The relationship that exists between government spending and government revenues is casual in nature which has led to economists and policy analysts debating globally (Saxena, Thapa, Adhikari and Tiwari, 2011). In order to formulate a fiscal policy that is excellent and sound there needs to be an understanding of the relationship so as to reduce or prevent fiscal deficits that is unsustainable and budgetary absorption (expenditure) among governments (Eita and Mbazima, 2008). According to Hondroyiannis and Papapetrou (1996) understanding the relationship that exists between public revenue and public spending is of crucial importance in that it leads to the appreciation of results of fiscal deficits that are unsustainable and ways of addressing such consequences. Chang (2009) is of the opinion that in evaluating the government's role in regards to distributing resources it is highly consequential to understand spending and revenue relationship. In Uganda for example the budget absorption rate in the close of the past financial year was 99 per cent where Ush5.11 trillion (\$2.21 billion) went into use out of a total allocation of Ush5.17 trillion (\$2.24 billion) (Government Annual Performance Report FY 2012/13). On the other hand the government of Kenya had failed to spend over 101 billion shillings in fiscal year 2011-12 and nothing has been done to indicate that any improvement will be noted (Controller of the Budget Report, 2012).

Over the last several decades government spending patterns have changed dramatically in developing countries. Therefore, it is necessary and important to watch the trends in composition and levels of government spending so as to assess what causes the changes over time. This is necessary because countries are always facing challenges of budgetary absorption (expenditure) (CABRI, 2011). In equal measure is government expenditure composition which shows the priorities of government spending. Total expenditure composition across departments shows the differences that exist (Wolf, 2004). Any increase in public provision of services occasioned by severed linkage between public expenditure and development results could lead to a situation of crowding out of provisions of the private sector. Factors

that lead to the public expenditure ineffectiveness include institutional inefficiencies and/or poor targeting in the form of leakage in the spending of public funds as well as institutional capacity which is weak. More often than not when budget management is poor has given as one of the major reasons relating to hardships witnessed by developing countries in translating public expenditure into service delivery to citizens which is effective (World Bank, 2003). Therefore, a reasonable proposition that can be made is that to manage public resources effectively and to promote development there is need for skillful, a well trained personnel, performing their duties in an organizational setting having an incentive system that promotes cost efficiency and reduces fraud.

The Budget Implementation Review Report Fourth Quarter of 2012/2013 shows that various departments and ministries in Kenya were not able to spend a massive Kshs. 339.6 billion provided to them in the financial year ending June 30, 2013. According to the figures this was more than Kshs.75 billion that was not spent in the previous financial year. In the 2014/2015 financial year, out of Kshs.1.15 trillion set aside for spending, relevant ministries spent only Kshs. 814.7 billion. This is despite the fact that development was awarded more resources to fuel the economic conditions. The report noted that of the Ksh. 437.1 billion set aside for development purposes, the departments and ministries spent Ksh.193.9 billion the absorption rate being 44.4 per cent (Controller of the Budget Report, 2013). For the country to meet its targeted economic growth rate envisioned in Vision 2030 this performance is really low.

It is important for government departments to meet their budgetary objectives of spending all the budgeted funds on the intended programmes. One of the performance contracting requirements of the government is maximum budgetary absorption by the various government ministries and departments (Diamond, 2006). In 2011, the regulations concerning the rewards and punishment are regulated through finance minister regulation number 38 of 2011, about the procedure for the results of the optimization of the 2010 budget by the ministries/institutions for 2011 fiscal year, and the deduction of the 2011 expenditures which was not fully implemented in 2010 fiscal year. The slowness of absorption of the budget is caused by, one of them, lack of planning government activities on the ministries/institutions (Budget

Implementation Review Report Fourth Quarter, 2011). The lack of planning has made the ministries not use the budget rapidly. The awareness of the apparatus of government bureaucrats to effectively and optimally use the budget determines the success of the government to achieve its purpose which is to improve the welfare of the people (Budget Implementation Review Report Fourth Quarter, 2013/14).

Public financial management practice is defined as the institutional and legal framework responsible for supervising the budget cycle phases, which include formulating and preparing of the budget, executing the budget and managing expenditure. This is in addition to internal controls and audit put in place, monitoring and reporting systems, procurement and external audit present. The main objectives of public financial management include allocation of resources to needs on priority basis, achievement of overall fiscal discipline and effective and efficient public services delivery. A strong and solid public financial management should, therefore, be a tool to enhance fiscal efficiency and guarantee taxpayers` finances are used wisely. This covers revenue mobilization, allocation of these finances to activities on priority basis, expenditure and account on how the funds were spent (Tommasi, 2009). Andrews (2008) is of the opinion that in practice there is no big distinction between the two concepts. According to him this is so because the various PFM processes are structured around the budget cycle and complete participatory resulting in decentralized budget leading to effective public financial management.

1.1.1 Budget Absorption

Budgetary absorption capacity represents the efficiency and effectiveness to which a country is capable of spending allocation of its structural funds, that is expressed in percentage form of the entire allocations. Absorption is related by experts in three main characteristics namely financial capacity which is the ability to cofinance activities and projects supported by the government, macroeconomic capacity as well as the capacity in its administration which is how well the local and central authorities are able to oversee the government projects and activities (Gros & Steinherr, 2004).

Owing to the fact that budgetary absorption capacity is thought to be affected majorly by co-financing capabilities and administrative-managerial, policy makers are of the opinion that absorption capacity and the economic situation relationship of a given area is paradoxical in nature (Eita & Mbazima, 2008). The capacity to absorb the budgetary allocations correlate positively to the capability of regional and central authorities in the preparation of of multi-annual plans which are consistent, that can comfortably cover the substantial administrative work. This is in addition to being able to finance, implementation supervision, doing away with fraud and corruption (Mrak, Richter & Szemler, 2015).

Globally, the issues of budget absorption bottleneck constitute a major issue that concerns the National governments. It can be referred to, according to Kalman (2002), as a situation in which any government recipient department fails to achieve 100 % of value of its target, this is where the capacity administratively by a country, region or department fails to implement and deliver on its operational programmes and projects. Boeckhout et al. (2002) are of the view that the capacity to absorb is the degree in which a country can efficiently and effectively use its finances from Structural Funds so as to contribute positively to social cohesion and economic growth. To be able to do this it is important to create institutional systems by individual governments to have absorption capacity to manage the finances issued while at the same time spend effectively and efficiently funds from those who are meant to benefit from the funds. Therefore, one could two distinct features come out namely absorption capacity on demand side and absorption capacity on the side of supply (Sumpikova, Pavel & Klazar, 2004). The relationship is on the capacities of beneficiaries to design programmes and finance the same and will be concentrated on hereafter.

In Africa three factors determine the absorption capacity as proposed by Pavel and Klazar (2004) and Horvat (2004) that is financial absorption capacity, administrative absorption capacity and macroeconomic absorption capacity. The continent Africa has an average budget absorption capacity which stands at less than expected rate of 80 percent which has hampered skills development, coordination of plans and

programmes. With these facts the continent has failed to properly implement and supervise budget absorption capacities to required standards.

In Kenya the county level in particular the situation of budget absorption bottleneck gets more serious due to the range of goals and types of intervention associated with the policies, which can undermine the quality of policy-making on the grounds of inconsistent and unclear target-setting and currently stands at 44 percent which is way far below the standard of 80 percent (McMaster & Bachtler, 2005). The factors which give rise to irregularities within the absorption capacity relate to how the economy structure, administration capabilities and financial system of County governments. County government budgeting has a great role to play in ensuring that quality of public services are improved since they can act enhancers to national economy. It is clear that the county governments' expenditure absorption rates are still very low. This is attributed to delays in the formulation of county government budgets, slow and unfinished process of bidding or the problems in technical aspects of preparing the budget which affects revision (Government Annual Performance Report, 2015).

1.1.2 Mandera County

Mandera County is an administrative County in the former North Eastern Province of Kenya. Its capital and largest town is Mandera. The aggregate expenditure for the first nine months of the financial year 2016/17 was KSh 207.82 billion. The amount comprised of KSh145.07 billion for recurrent expenditure (61.8% of the annual recurrent budget); and KSh62.74 billion for development expenditure (37.9% of the annual development budget). The expenditure of KSh 207.82 billion was 51.9% of the annual County Governments budgets and an increase of 13.1% from KSh183.76 incurred in a similar period of financial year 2015/16 (Government Annual Performance Report, 2016). Counties that recorded the highest aggregate budget absorption rates were Isiolo at 68.4 per cent; Tana River at 65.8 per cent; and Bomet at 65.2 per cent. Similarly, Kirinyaga, Kwale, and Lamu Counties recorded the lowest overall absorption rates at 42.1 per cent, 41.4 per cent, and 27.2 per cent respectively. Mandera County was also among those who recorded the lowest overall absorption rates at 44.3% (Government Annual Performance Report, 2017). From this statistics

it is clear that the county way below the acceptable rate of 80% and above. This therefore justifies the current study which seeks to establish the effects of public financial management practices on budgetary absorption in Mandera County.

1.2 Statement of the Problem

In order for the government of Kenya to meet its fiscal objectives, it is necessary that government ministries effectively be able to spend budgeted provisions to the highest levels. Government officers need to understand the importance of being able to fully utilize funds as budgeted so as to have an impact to the highest population. Currently, budgetary absorption in Kenya in general and in particular at the county level is wanting. According to the budget implementation review report (2013/2014) the rate is at 44 per cent which is well below the target rate of 80 percent. Despite this being a major problem affecting most of the county government departments as reported by the auditor general over the years, every year the government goes through a budget process allocating funds to departments in order to meet its fiscal objectives (Budget Implementation Review Report Fourth Quarter, 2014).

For instance, the ministries and departments have failed to accelerate the uptake of budget revenues and state expenditure in order to meet the target of more than 80% in a financial year. In the first quarter of 2013, it was only 32 percent of the budget that was absorbed. It was two percent lower than the same period the previous year. Over time economic impact effectiveness has been given ideas, views and inputs from various stakeholders for the government to be able to accelerate its uptake of the budget but no results have been witnessed. For example, there were efforts to accelerate the absorption of the budget through the simplification of budget disbursement procedures (Kenya, 2007). It is therefore necessary for the present study to be carried out in order to shade light on the effects of public financial management practices on budgetary absorption within government departments in Kenya.

Various studies have been carried out on the effects of public financial management practices on budgetary absorption for example Savoie (2002) argues that for governments to achieve high budgetary absorption then reforming central

bureaucracies and enhancing public financial management should be a problem of political will and the capacity of the government to effectively adopt a manipulative and persuasive forms of power. Catao and Terrones (2005) established that the finding the relationship that exists between government revenues and expenditure gives a preview of the differences in government formulated frameworks that could help in growth and control of government spending. On the other hand Correia *et al*, (2003) hold the view that, financial management forms part of the total operation of an organization and as such, it relates to the other functional disciplines in the organization and concluded that piecemeal reforms in public financial management practices as the more typical strategy to be adopted for effective budgetary absorption.

Studies in Kenya include one by Jerono (2009) have established that so far the studies carried out on the effect of public expenditure and economic growth in Kenya have found contradicting results. Some results shows that growth is enhanced while others found out that public spending slows down growth. Equally, other studies established that economic growth cannot be predicted by public expenditure in Kenya. On the other hand Maingi (2010) carried out a study on the effect of public expenditure on growth of the economy in Kenya for a period of time. Despite this, there is no study on effects of public financial management practices on budgetary absorption Mandera County. Therefore, this arouses a critical thinking on this topic which is the research gap that the current study sought to fill. On the other hand the above studies were done mainly before year 2015. From 2015, a lot of the fundamental changes have occurred in the operating environment and governance in Kenya more especially at the county level. It has been noted that researches done including the above discussed have not specifically dealt with effects of public financial management practices on budgetary absorption within county government departments leave along covering variables such as financial controls/administration, fiscal accountability and government revenues and how they affect budgetary absorption. Consequently, this leaves a knowledge gap that was addressed by the current study. This study poses the question, what are the effects of public financial management practices on budgetary absorption in Mandera County, Kenya?

1.3 Objectives of the Study

The general objective of this study was to establish the effects of public financial management practices on budgetary absorption in Mandera County, Kenya.

1.3.1 Specific Objectives of the Study

The study was guided by the following specific objectives:

- i. To determine the effect of financial administration reports on budgetary absorption in Mandera County, Kenya.
- ii. To find out if financial control processes has an effect on budgetary absorption in Mandera County, Kenya.
- iii. To determine the effect of budget process on budgetary absorption in Mandera County, Kenya.
- iv. To find out how fiscal accountability reviews affect budgetary absorption in Mandera County, Kenya.

1.4 Research Hypotheses

The research hypotheses guiding this study were:

H₀₁: Financial administration reports have no significant effect on budgetary absorption in Mandera County, Kenya.

H₀₂: Financial control processes do not have a significant effect on budgetary absorption in Mandera County, Kenya.

H₀₃: Budget management has no significant impact on budgetary absorption in Mandera County, Kenya.

H₀₄: Fiscal accountability reviews do not have a significant effect on budgetary absorption in Mandera County, Kenya.

1.5 Significance of the Study

The study findings would be beneficial to top managers of the county government especially departments of finance and accounting who would benefit from the information on how public financial management practices affect budgetary absorption. The findings would help them formulate policies that might improve on budgetary absorption rates. The office of the Controller of budget in the ministry of finance would find the information from the study useful in formulating and implementing of policy.

Stakeholders and bilateral donors who have an interest in public expenditure would use the study findings to understand budget absorption rates. Employees in different departments for example those in the finance, accounts, procurement and Analyst Licence Holders would gain from the study findings in that these would help them come up with the best methods that can improve public expenditure and spur growth of the economy which leads to improved living standards, customer satisfaction and employment creation.

The findings of this study would enable various department authorities to undertake benchmarking of departments with a view to improve service delivery, economic growth and spending. The results from this study would be important in regards to planning on various aspects on public finance utilization. The results would add knowledge on the effects of public financial management practices on budgetary absorption since it would be a point of reference for further research and academicians can use information on methodology and theoretical orientation.

1.6 Scope of the Study

The study focused on the effect of public financial management practices on budgetary absorption in Mandera County, Kenya. This study was carried out between May 2017 to June 2018 because this was the period county governments were reviewing their absorption capacities and formulating ways of improving their spending capacities. Mandera County was considered in this study since Out of the Ksh 5.9 billion allocated to the county Ksh 4.1 was not spent according to Budget Implementation Review Report, 2016/17.

1.7 Limitations of the Study

The study covered a large population and cost has been foreseen among the major constraints. To overcome this constraint, the researcher had to narrow down the study to limited but representative selected number of county government employees.

The respondents were unable or not willing to furnish the researcher with the relevant information requested in the questionnaire. As a result of that the researcher had need to come up with a structured questionnaire with easy understood and simple questions.

The time availed for the study might was not enough for the researcher to get response from all the respondents. Therefore the researcher will have to communicate clearly the time lines the respondents and do follow up the status of the questionnaires.

1.8 Study Organization

Chapter one entails the background of the study, statement of the problem, objectives of the study and research hypothesis. The chapter covered significance of the study, scope of the study and limitations of the study. Chapter two described the theoretical framework of the study, empirical review, summary of research gaps and the conceptual framework.

Chapter three presents the methodology which was used to carry out the study. It further describes the research design and the target population. The chapter also describes the sample size and sampling procedure as well as research instruments. In addition the chapter covers validity and reliability of research instruments, data collection procedure, data analysis and ethical considerations. Chapter four covers data analysis, discussions, presentation and interpretation. Chapter five described summary of findings, conclusion, recommendations and suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the theoretical foundation of the study and the empirical studies on the various independent variables. It also captures the conceptual framework.

2.2 Theoretical Review

The theories of focus in this study were four in number thus, theory of public expenditure, peacock and wiseman's theory of expenditure, theory of financial control and differential association theory.

2.2.1 New Public Management Theory

This theory was applied in this study to link effective practices of revenue collection, allocation and oversight in the effective delivery of services in the public sector. The new public management (NPM) theory by Kaboolian (1998) focuses specifically on issues of making governments efficient. Savoie (2003) notes that the theory recommends changes to make governments more efficient and responsive by employing private sector techniques and creating market conditions for the delivery of services. Additionally, Osborne (2006) indicates that the NPM theory asserts the superiority of private managerial techniques over those of public administration and has the assumption that the adoption of private sector practices would lead to improvements in the efficiency and effectiveness of public services.

In effect, NPM theory relies heavily on the theory of the private sector and on business philosophy (Osborne, 2006). The assumptions of NPM easily apply to issues of public financial management and its influence on service delivery. NPM perspectives emphasize compliance with ethics, transparency, equality, fairness, responsibility, accountability, prudence, participation, responsiveness to the necessities of the people and efficiency in the administration of public resources. Public financial management is the coordination of public financial resources for efficiency in public service delivery. It involves revenue collection, planning and budgeting, internal controls, audit and external oversight, among others with a view to

promoting availability of benefits to the greatest number of citizens (Broback & Sjolander, 2002).

Bartle and Ma (2004) posit that PFM involves effectively organizing, directing and managing financial transactions in the public sector. There is therefore a need for effective management and institutional designs, both of which are aimed at making the public sector more efficient like the private sector. This is expected to invigorate performance and decrease corruption. Other assumptions include citizen-centred services, value for tax payers' money, and a responsive public service work force. Osborne (2006) describes some other elements of NPM which have strong relevance to public financial management. NPM theory was applied in this study to link best practices in budgeting, revenue collection, auditing and governance to public service delivery.

2.2.2 Peacock and Wiseman's Theory of Expenditure

This theory was proposed by Peacock and Wiseman (1979) focusing on an analysis best known in relation to the time pattern of public spending. They based their analysis on a political theory of public determination which argues that citizens do not like to be taxed whereas governments have a preference to spending thus it is necessary for government to be keen on what the citizens' wishes are. According to them taxation is a form of a constraint on government spending. They further argued that as income grows so does the economy and that taxes on revenue at a constant taxation rate would rise, thus enabling a gradual upward trend in public expenditure even though within the economy there is divergence on what people regard as being desirable public expenditure level and the level of taxation that is desirable (Peacock and Wiseman, 1979).

However, if there are periods of social upheaval, the upward gradual trend in public expenditure is affected. In most cases such periods would come into play wherever there is war, famine or some unexpected large-scale social disasters which lead to rapid increases in public spending forcing the government to raise taxation rates. In such circumstances the rise in the levels of taxation are acceptable to people. This is referred to as the displacement effect. Displacement effect is upwards in the period of

crisis and does not fall to its original level on public spending. Wars can not be paid for from taxation since there is no nation that has taxation capacity that is that large (Peacock and Wiseman, 1961).

Nations thus borrow and charge debt but not after the occurrence of such an event. To achieve this the government must expand their scope of services offered so that they can improve social conditions. Since peoples` perception to levels of taxation is tolerable but does not return to its original form the government must seek to finance the high levels of spending through a wider scope of debt and government charges. This theory was important to the current study since it assisted the researcher to have an insight into time patterns in regards to public spending and the best way to use financial management practices among county governments so as to enhance budgetary absorption. This theory was based on the premise that governments like spending money whereas its citizens hate paying taxes as argued in the political theory of public determination. With this in mind therefore the theory helped in determining the role political influences can have on variables such as financial administration, financial controls, budget management and fiscal accountability and their relationship with budgetary absorption.

2.2.3 Theory of Financial Control

In relation to the objective relating to the effect of financial controls on budgetary absorption this study focused on the financial control theory by Laughlin (1980). The personal functions of human being both the present and future are thought to constitute the most important part of reference in the financial control theory. According to this theory the possible and the existing functions of financial tools for institutions are the most crucial. On the same note it is argued that financial instruments, accounting, payments, control models, economic calculations and other the related considerations both outside and with the institution discussions ought to be carried out in regards to inner features as well as possible effects. From a financial control point of view it is important to establish the relationships between financial processes and various activities which are seen to be the basic and general issue (Ostman, 2009).

The financial controls theory for institutions puts much focus on the firms such that they can be looked at from several latitudinal areas. The first aspect is on human beings` functions, thus the accomplishments through firms, the activities they carried out and the output. The second aspect is on structure of the firm and the processes, and the activities that parties might be having with each other. The third regards to control systems in the form of procedures recurring and the methods employed relating to present and future resource functions both internally and externally. The fourth area which is the last focuses on the processes that are specific to individual firms for issues that are certain. This theory further point out that the structure and the financial control systems work depend on another (Ostman, 2009). The theory of financial control was relevant in this study owing to the fact that it gave an insight on the intricacies that might surround financial management in an institution.

2.2.4 Differential Association Theory

Differential association theory was proposed by Sutherland in 1947. According to differential association theory fiscal accountability affects all the classes in society, all government departments, republics and monarchies, be it in times peace and war, no matter the age groups, both sexes and at all times, old, modern and mediaeval. The challenges of fraud are that it is trans-systemic in that it exists in all the systems from capitalism, communism, socialism and feudalism (Alatas, 1990).

In most instances the pressure or motivation is a creation of demands with higher earnings at times it results from the company position thus from the top level. The need to post financial results or improved stock price may force individuals and firms to cut corners thinking they are acceptable (Ernst & Young 2009). Justification which is more of a psychological factor arises mostly from within a person. By validation the behaviour which is fraudulent makes a person to commit fraud and assure him or herself that this behaviour is acceptable to done that. For example an employee may rationalize stealing funds in that he thinks that having worked so hard it is justified for him to steal since he deserves it (Harrison et al. 2011).

Ernst and Young (2009) established that the most common types of corporate fraud include fraudulent financial reporting, misappropriation of assets and corruption. The most common of this is misappropriation of assets. According to their findings 88.7% of the incidents reported are in the asset misappropriation category which 27.4% account for corruption case while 10.3% of the incidents are that of fraudulent financial reporting which is not frequent form of occupational fraud. According to Adeoti (1996) approaching the issue in regards to prevention of fraud found out that the best approach and that is also cheaper is taking precaution. He concluded that there are two common types of fraud that impact on the financial statements of an organization namely misappropriation of assets which sees employing stealing money from the firm and covering that up through making entries that are wrong in the books of account and managers reflecting false and misleading entries on financial statements showing the firm performing better than in reality. Harrison et al. (2011) was of the opinion that fraudulent reporting of financial statements is the least frequent among the forms of fraud but it is the most expensive both in terms of long-term damage and money lost.

Examples of schemes that relate to fraudulent financial reporting are revenues smoothing, storing funds away for future uses, liabilities overestimation during perfect times, not reporting information properly for example in regards to loans management and transactions involving parties, or the execution of transactions that are highly complex (Ernst & Young 2009). Financial management needs to analyze what factors lead to fraud so that they can come up with appropriate measures and policies to prevent or control such occurrences. Example of such measures include relationships, attitudes, awareness and regulations that must be in place to reduce the opportunities for fraud and at the same time aid people to resist engaging in such acts of crime. According to Okafor (1986) fraud is individualistic in nature in that one may choose to cash in as at when there is an opportunity. Alashi (1994) on the other hand is of the opinion that fraud occurs whenever opportunity exists and there is intent from an individual. The theory that guided this study in regards to fiscal accountability was differential association theory. This theory gives an explanation on the circumstances and the motivations that influence an individual to commit fraud thus highlighting the mechanisms to prevent any fraud.

2.3 Empirical Review

The section covered empirical literature on the variables of the study as shown in the section below:

2.3.1 Financial Administration Reports and Budgetary Absorption

Boot, de Vet and Feekes (2002) argue that more often delays are witnessed at several stages of the quarterly release processes more especially in regards to cash limit determination. Over the last two years proportion releases in the first month of the quarter have declined significantly. Timelines for releasing in some cases have become less of an issue in regards to spending performance; however, this is attributed to informal networks rather than institutional mechanisms. They further argue that teething problems have been witnessed during the introduction of Output-Budgeting Tool (OBT), but generally the tool's rationale and potential is appreciated in improving the budgeting process. This study focused more on delays and timelines while there current study focused on financial standards and procurement procedures.

Polverari and McMaster (2006) established that the manner of receiving releases plays an important role in determining the absorption more than the total amount. Owing to the fact that the funds are received on the last month of the quarter or the last quarter of the year the timely and effective execution of annual and quarterly work plans is harder. Releasing fund late is most commonly given as an explanation for not implementing or delaying ongoing projects and planned activities which mostly require continuous and cash flow that is predictable for example funds for road. They concluded that it is necessary for organizations to understand the likely factors that may affect timeliness release of funds and establish whether delaying funds access is a constraint to absorption. They proposed that some having in place strategies for spending units can ease access budgeted resources and could have a mitigating effect but undermine reforms in Public Financial Management (PFM). Further they are of the opinion that late releases and not having mitigation methods could undermine absorption rates but on condition that most pressing challenges have been overcome. This study was interested in finding out the manner of receiving releases plays and the role it plays in determining the absorption. The current study

sought to find out the effect of financial administration reports on budgetary absorption the focus being on financial standards and procurement procedures.

According to Horvat (2004) and Boeckhout et al. (2002) three major factors determine absorption capacity namely administrative absorption capacity, macroeconomic absorption capacity and financial absorption capacity. Administrative absorption capacity is referred to as the skill and ability of central, regional as well as local authorities in the preparation of plans that are suitable for the projects and programmes in expected time. They are also seen in terms of what decision to be made on programmes and projects in order to arrange coordination of main partners so as to cope with reporting and administrative requirements. Sumpíková, Pavel and Klazar (2004) argue that they are for purposes of supervision and financing and avoiding any irregularities that might arise. These studies sought to establish factors that determine absorption capacity while the current study sought to establish the effect of financial administration reports on budgetary absorption which was the study gap to be filled.

2.3.2 Financial Control Processes and Budgetary Absorption

Zaman and Georgescu (2011) are of the opinion that financial management and control practices may lead to a marked influence on the financial wellbeing of an organization. Thus, sound and effective financial practices/decisions can enhance meeting of expected objectives such as profitability. They further argue that the paramount importance of this is on the present dynamic and turbulent operating environment which produces intense competition as well as reduced profitability margins. The study used descriptive statistical analysis to describe the characteristic of each study variable but did not analyse the quantitative data. The study found that financial management and control practices may lead to a marked influence on the financial wellbeing of an organization. It did not include the quantitative data obtained from the study, thus, the current study included both the descriptive analysis and inferential statistics to analyze the quantitative data.

On other hand Constantin, (2012) found out on Institutions, Institutional Change and Economic Performance that views piecemeal reforms in public financial management practices as more typical strategy to be adopted. According to Catao and Terrones (2005) carried out a study on the role inflation plays on government expenditure and deficit in budget for developing countries that have high inflation rates. Their study found out that identifying the casual relationship that exists between government spending and revenue gives an insight on the different policy frameworks that can help control government spending. This study sought to establish whether these findings were factual using the Kenyan context.

Berica (2010) sought to establish how budget processes influence fiscal deficits and government borrowing. They found out that budgeting rules and regulations are of three forms. Those of rules covering transparency, numerical targets looking at balanced laws of budgets and procedural rules. Zaman and Georgescu (2011) sought information on the index of budget. They found out that budget formulation procedures, approving and implementing the budget greatly influences the fiscal outcomes.

Catao and Terrones (2005), investigated the role of inflation in the government spending and budget deficit for developing countries with high inflation. Their identification was of a causal relation between government expenditure and revenue which provides insight as to how different policies might help control the growth of the government expenditure.

2.3.3 Budget Management and Budgetary Absorption

Horvat (2008) found out that some agencies and sectors are allocated finances more are more than their absorption capacity while on the other hand some have ceilings in their budgets that do not commensurate to their functions they are supposed to deliver. He further argues that if a work plan given has lumpy and large investments with less that required finances approved and released for use there is likelihood that the project cannot start since nothing is there to be spent. He stated that any public service delivery that is effective requires relevant mix of inputs and that having insufficient recurrent budget negatively affects the implementation of development programmes.

Supervision of private construction entities is also a problem at local government level where there is a lack of resources. This study sought to establish whether these findings were factual using the Kenyan context.

Boeckhout et al. (2002) were of the opinion that the large differences noted between approved budget and the actual result released arise as a result of weaknesses in the fiscal mechanisms and most important the arbitrary rationing of cash. From evidence it was suggested that reductions on the approved budgets do not any way reflect the absorption capacity in that the reallocations in intra-year come about as a result of additional unpredictability to affects the intra-vote planning in addition to processes of budget execution. One of the most important constraints for the Central Government Votes in absorption rates is that of unpredictable access to funds by the public. This has brought about the creation of incentives used for expenditure units on over budget and bypassing the formal channels which undermines effectiveness that comes with recent reforms in budgeting. Thus, this not only undermines budget execution for National Government agencies, departments or ministries but it has implications for development, future absorption capacity could be weaker since the ability to successfully implement programmes on development is influenced by past experiences (Boeckhout et al., 2002). The study did not analyse the relationship among variables at specific period of time. The current study addressed this gap by using the descriptive cross-sectional survey to examine relationship between variables at specific period of time.

Kuswoyo (2011) conducted a study on Working Unit in Kediri and found out that various factors influence the how budget absorption is accumulated at fiscal year end. They factors include Budget Planning, Budget Implementation, Procurement aspects as well as the Internal of Work Unit. The findings are in agreement with those of Sukadi (2012) who did a study in Yogyakarta at the Work Unit and found out that Budget Planning, Budget Implementation, Procurement and Internal of Work Unit are the factors that affect budget absorption accumulation at the end of fiscal years. While this is the case a study by Herriyanto (2012) in Jakarta area on the Work Unit in the Ministry was of a different opinion. This study established that the factors that affect

budget absorption delays were Human Resources, Document and Inventory Refund as well as Administration. The generalization of the results was limited due to the fact that the survey was carried out in Yogyakarta at the Work Unit. The current study addressed this gap by focusing on the county government as a whole.

2.3.4 Fiscal Accountability Reviews and Budgetary Absorption

Lienert (2003) carried out a comparative study which found out that the execution of Francophone budget and accounting systems used by government have numerous advantages. While this is true it was found out that this does not result in practice stronger PFM performance. Stevens (2004) had earlier found out that in African Countries incentive as well as institutional issues are the main challenges of PFM reform success. Andrews (2008) sought to establish how critical the effect of capacity, incentives and politics is. He found out that the extent of reach on information networks, authorizing environment nature and specific references to donor effort are equally critical. The generalization of the results to lower governments was limited due to the fact that the survey covered African Countries. The current study addressed this gap by focusing on the narrow area in this case the county government.

Diamond (2006) established that emerging economies other than Africa show that transparency, authority, capacity and incentive are seen to as important aspects in successful reforms in PFM. He proposed that it is necessary for the incorporation of more systematic and deliberate change management disciplines in the process of reforms. According to van Eden (2009) research from public finance field suggests that more emphasis must be given to institutional changes for example reforms in revenue administration. This is in addition to management style, administrative structure, organizational culture and staff retraining should be given equally priority to technical processes and system reforms. This is deduced to result in a more effective expenditure-side reforms within the more stubborn PFM dimensions. These studies while recognising the need for financial accountability reviews they did not specifically address this variable independently. However, the current study sought to establish how fiscal accountability reviews as an independent variable affects budgetary absorption.

2.3.5 Financial Management Practices

Andrews (2008) in his study established commonalities on the contextual variables in each of the distinct performance leagues. His results proposes several factors working together than might facilitate PFM reforms in a department or country that are likely to boost performance of PFM. The factors he suggested include social and political stability, a high growth rates in the economy, a reliant on domestic tax revenues by the fiscal state, non-Francophone heritage and government policy commitments are sustainable. However, the emergence of the reforms space in PFM alone can not explain all the necessary actions for reforms enhancing performance. This has more to do with features that are intrinsic in nature of the process of reform and how a country context management is carried out.

Scott (2005) defines financial management practices as those that are performed by officers in the accounting department and other managers that are in areas such as supply chain management, asset control and management and budgeting. He further suggests the following as the most common practices; Financial reporting analysis, working capital management, fixed asset management, accounting information systems and working capital management. He argues that all these practices are important for efficient and effective management of finances in organizations.

2.4 Summary of Research Gaps

The following Table 2.1 provides the summary of research gaps to conclude the literature reviewed.

Researcher (year)	Title of the Study	Findings	Gap in Knowledge
Boot, de Vet and Feekes (2002)	Where delays are witnessed on the quarterly release processes	The established that teething problems have been witnessed during the introduction of Output-Budgeting Tool (OBT),	This study focused more on delays and timelines while there current study focused on financial standards and procurement procedures.
Polverari and McMaster (2006)	Whether the manner of receiving releases plays a role in	They found out that it is necessary for organizations to understand the likely factors that may affect timeliness	The current study sought to find out the effect of financial administration reports on budgetary

	determining the absorption capacity	release of funds and establish whether delaying funds access is a constraint to absorption	absorption the focus being on financial standards and procurement procedures.
Horvat (2004) and Boeckhout et al. (2002)	Major factors that determine absorption capacity	They established that the three major factors were administrative absorption capacity, macroeconomic absorption capacity and financial absorption capacity	These studies sought to establish factors that determine absorption capacity while the current study sought to establish the effect of financial administration reports on budgetary absorption which was the study gap to be filled.
Zaman and Georgescu (2011)	To determine whether effective financial practices/decisions can enhance meeting of expected	This study found out that financial management and control practices may lead to a marked influence on the financial wellbeing of an organization	It did not include the quantitative data obtained from the study, thus, the current study included both the descriptive analysis and inferential statistics to analyze the quantitative data.
Boeckhout et al. (2002)	On whether approved budget and the actual result released arise as a result of weaknesses in the fiscal mechanisms	The study established that reductions on the approved budgets do not any way reflect the absorption capacity in that the reallocations in intra-year come about as a result of additional unpredictability to affects the intra-vote planning in addition to processes of budget execution	The study did not analyse the relationship among variables at specific period of time. The current study addressed this gap by using the descriptive cross-sectional survey to examine relationship between variables at specific period of time.
Herriyanto (2012) in	Factors that affect budget absorption delays in	This study established that the factors that affect budget absorption delays were	The generalization of the results was limited due to the fact that the survey

	organizations	Human Resources, Document and Inventory Refund as well as Administration	was carried out in Yogyakarta at the Work Unit. The current study addressed this gap by focusing on the county government as a whole.
Stevens (2004)	Establish how critical the effect of capacity, incentives and politics is	The extent of reach on information networks, authorizing environment nature and specific references to donor effort are equally critical	The generalization of the results to lower governments was limited due to the fact that the survey covered African Countries. The current study addressed this gap by focusing on the narrow area in this case the county government.
van Eden (2009)	Important aspects in successful reforms in PFM	It was found out that management style, administrative structure, organizational culture and staff retraining should be given equally priority to technical processes and system reforms	This study while recognising the need for financial accountability reviews they did not specifically address this variable independently. However, the current study sought to establish how fiscal accountability reviews as an independent variable affects budgetary absorption.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section discusses various sections of methodology. These include the design that was used the population targeted, sampling design and sample size. This chapter also discussed instruments that were used to collect data, pilot testing, validity and reliability of research instrument. It equally captures information on how data collected was analysed and the ethical guidelines adopted.

3.1 Research Design

The design strategy adopted in this study was that of using a descriptive research design. In this design subjects are normally observed in their natural setups and it covers describing and observing how the subjects behave without having an influence on them in any way. The researcher went to the population of interest (Mandera County finance department) and observe the subjects in their places of work so that they can provide information related to the effect of public financial management practices on budgetary absorption within government departments. This design was appropriate for the study as it enabled higher level analysis that allowed for establishing the nature, strength and extent of the associations between the variables. It also assisted in determining the practices that prevail, paradigms and point of view of the respondents' in so far as budgetary absorption in their public ministries is concerned. This research design was considered in this study because it depicts the respondents in accurate ways (Cooper & Schindler, 2009).

3.2 Empirical Model

Multiple linear regression models was used in this study as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_0$$

Where

Y= Budgetary Absorption

X₁= Financial Administration

X₂= Financial Controls

X₃= Budget Management

X₄= Fiscal Accountability

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_x y_5 + \epsilon_0 x_5$$

The study used the Fisher's exact test to test analysis to test the statistical significance of variables under review. In addition the study used the chi-square test to test statistical hypothesis of the variables.

3.3 Target Population

This study targeted all members of finance section in the County of Mandera. Focus was on all the employees in the finance department in the county government and there were 105 of such employees (Mandera County HR, 2017). Table 3.1 best shows this.

Table 3.1 Target Population

Departments	Number of Employees
Agriculture Livestock, Irrigation, Fisheries and Veterinary	89
Water, Sanitation and Natural Resources	97
Trade, Industrialization and Cooperative Development	115
Public Service	76
Finance and Planning	105
Lands, Housing and Physical Planning	44
Education and Social Service	90
Transport, Roads and Public Works	142
Health Services	106
Total	864

Source: Mandera County HR (2018)

3.4 Sampling Frame and Sample Size

3.4.1 Sampling Frame

A sampling frame is a list of the items or people forming a population from which a sample is taken. In this study the sampling frame was 105 employees in the department of finance Mandera County.

3.4.2 Sampling Size

The study purposively sought information from employees in department of finance. Owing to the fact that the number of the target population was small thus 105 employees, this study therefore was a census of all employees within the finance department of Mandera County, Kenya. This method is supported by Cooper and Schindler (2000). The advantages of using census is that it has the maximum chance of identifying feedback that is negative, it increases the interval of confidence and all the people targeted are involved.

3.5 Data Collection Instruments

In this study both primary and secondary data collection methods were used. Questionnaires distributed to employees of the country targeted facilitate collection of primary data. The questions covered the effects of public financial management practices on budgetary absorption within county government departments. The questionnaire sought to gather information on the impact of financial administration reports on budgetary absorption, if financial control processes have an effect on budgetary absorption within, the effect of budget management on budgetary absorption and the effectiveness of fiscal accountability reviews on budgetary absorption. The researcher personally administered the questionnaires. The use of questionnaires in this study was for purposes of keeping the respondents confidentiality. Secondary data for this study was gathered from sources such as media publications, journal articles and books covering public financial management practices on budgetary absorption. In addition the study sought secondary data using a data collection guide shown in appendix iii.

3.5.1 Validity of Research Instruments

Validity is defined as the consistency and internal coherence of the research instruments and doing away with contradiction and ambiguity of the questions. It can also be seen as the extent to which research instruments measure and performs what they seek to achieve (Robson, 2002). Content validity by use of supervisor`s and expert opinion was used by the researcher in regards to the research instrument. The researcher also ensured that the instrument used achieves population generalizability or the extent to which the sample is representative of the population.

3.5.2 Reliability of Research Instruments

Reliability is referred to as the degree of consistency in regards to assignment of similar words, kinds of data or phrases to the same theme or pattern by different researchers (Hussey & Collis, 2009). Can also be described as a means through which the researcher is able to assign similar interpretations and observations at different points in time. Cronbach`s Alpha was used by the researcher to assess internal consistency for the five point likert scale items where a cut-off point will be 0.7 (Oncu, 1994). In addition reliability was tested through pilot testing to ensure that the instrument gives the same results every time. Therefore the process of piloting was used to test the efficiency of the questionnaire. Pilot testing employed a small representative of the sample. Ten people participated in the pilot test. Pilot testing was important in correcting unforeseeable mistakes before the final questionnaire was given to the participants. This also ensured that the wording, formatting, typographical errors in the questionnaire are rectified well in advance. Cronbach`s Alpha ranking is as illustrated in Table 3.2.

Table 3.2 Cronbach's Alpha Range

Cronbach's Alpha	Internal Consistency
$\alpha \geq 0.9$	Excellent (High-Stakes testing)
$0.7 \leq \alpha < 0.9$	Good (Low- Skates testing)
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

3.6 Data Collection Procedure

The researcher was given a data collection letter from the university. The questionnaire was pilot tested to determine their suitability. A drop and pick method where the questionnaires were dropped and picked after one week was used. Prior information was passed to all research participants. Every effort was made to ensure research participants are not inconvenienced and time lines adhered to. The researcher obtained consent from all relevant institutions such as the county government of Mandera and individual participants.

3.7 Data Analysis and Presentation

This study collected both quantitative and qualitative data. The data collected was edited and coded before analysis is carried out by the researcher. Content analysis was used on qualitative data collected. This study collected both qualitative and quantitative data. Content analysis was used on qualitative data collected. On the other hand the researcher used inferential statistics that includes multiple linear regression model and correlation models to analyse the quantitative data. This study used descriptive statistics in the form of the mean, median and frequency distribution table as the measure of central tendency and standard deviation as the measure of spread. The researcher performed correlation and regression analysis on collected data using SPSS software.

The following multiple regression analysis model on the effects of public financial management practices on budgetary absorption within Mandera County, Kenya was

adopted and analyzed using the SPSS software. Once data has been analyzed data it was presented by the use of graphical and statistical techniques in the form of tables and charts was considered in graphical techniques.

3.8 Ethical Considerations

This research sought to adhere to ethical guidelines for research writing. Respondents gave consent before taking part in the study. Participants were not coerced into providing information they feel was against company policy or for personal or security reasons. Information and data collected by the study was treated with confidentiality and for purposes of this study. All sources that were cited in the study were acknowledged so as to avoid cases of plagiarism.

CHAPTER FOUR

ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Response Rate

The number of questionnaires that were administered was 105. A total of 84 questionnaires were properly filled and returned. This represented an overall successful response rate of 80% as shown on Table 4.1.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	84	80%
Unreturned	21	20%
Total	90	100%

According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good, 70% is very good while above 80% is excellent. Based on these assertions from renowned scholars, 80% response rate was excellent for the study allowing further analysis.

4.2 Demographic Characteristics

4.1.1 Gender of respondents

The respondents were asked to indicate their gender. Figure 4.1 illustrates this findings.

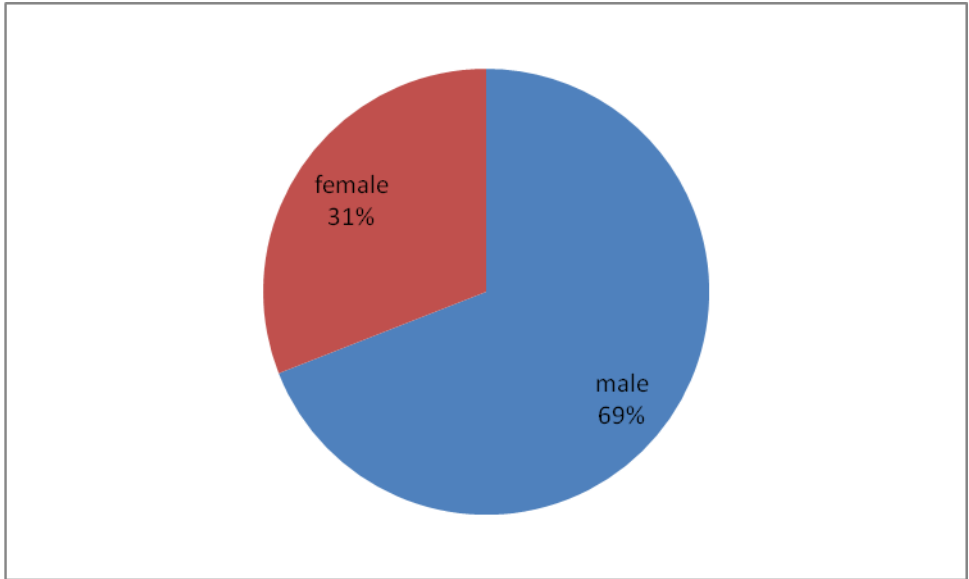


Figure 4.1: Gender of Respondents

As shown in Figure 4.1, majority of the respondents who were 69% indicated that they were male while only 31% indicated that they were female. These results show that Mandera county is yet to achieve gender balance in the finance and planning department as proposed in the Kenyan constitution of 2010.

4.1.2 Age of respondents

The respondents were further asked to indicate their age. The results are as indicated in Figure 4.2.

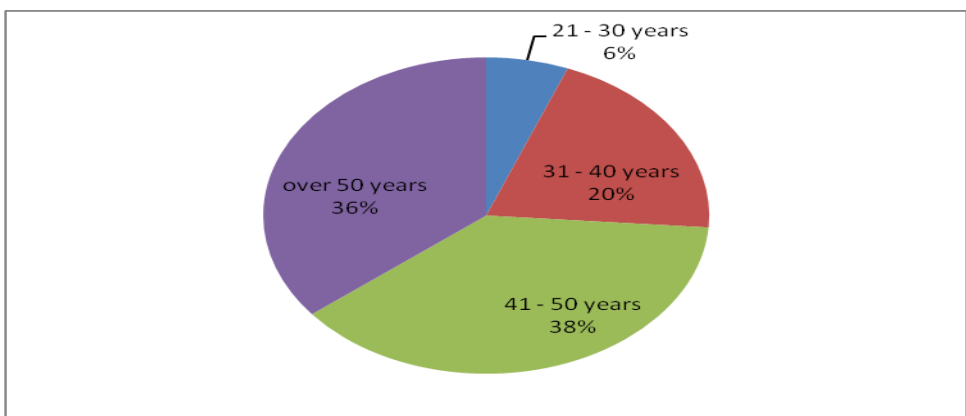


Figure 4.2: Age of Respondents

As shown in Figure 4.2, majority of the respondents who were 38% indicated that they were between 41 - 50 years old, 36% indicated that they were over 50 years old and 20% between 31-40years while 6% indicated that their age ranged between 21-30 years. Age is a relative indicator of respondent's length of experience on matters of finance and budgetary absorption.

4.1.3 Respondents' Education Level

The study sought to establish the respondents' education level. The study findings are as illustrated in Figure 4.3.

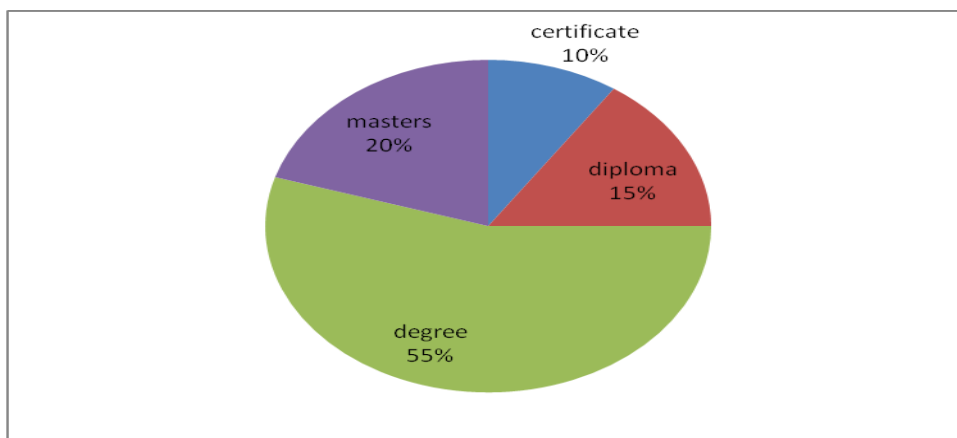


Figure 4.3: Respondents' Education Level

From the findings shown in Figure 4.3, majority of the respondents who were 55% indicated that they were degree holders, 20% were postgraduates, 15% were diploma holders while only 10% were certificate holders. Based on the level of education, it can be deduced that the respondents were in a position to comprehend the survey objectives and give reliable responses. The inference from these results is that most of the staff in the finance and planning department of Mandera County are highly skilled.

4.1.4 Respondents' Work Experience

The respondents were asked to indicate the number of years they have worked in the department of finance and planning. The study results are as indicated in Figure 4.4.

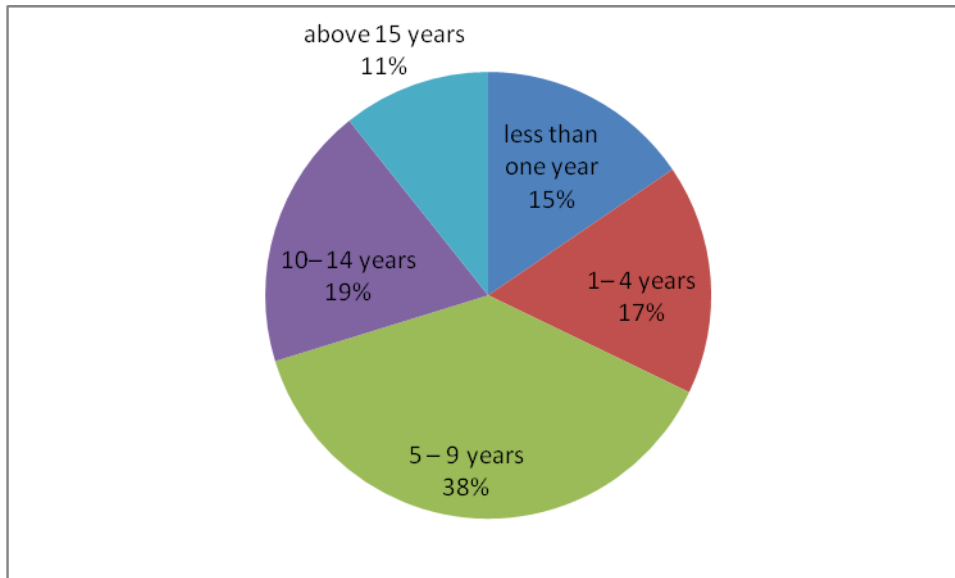


Figure 4.4: Respondents' Work Experience

As shown in Figure 4.4, majority who were 38% indicated that they had worked in the department for a period of 5 -9 years, 19% for a period of 10 - 14 years, further 17% for a period of more 1-4 years, 15% less than one year while only 11% indicated that they had worked for over 15 years . These results represent a diverse distribution of skills and experience and therefore provision of reliable response by the respondents. It also depicts job security and continuity in the department.

4.3 Descriptives

4.2.1 Financial Administration Reports and Budgetary Absorption

The first objective of the study was to determine the effect of financial administration reports on budgetary absorption in Mandera County. The respondents were asked to indicate their opinion whether financial administration reports have an impact on budgetary absorption. The results are as illustrated in Figure 4.5.

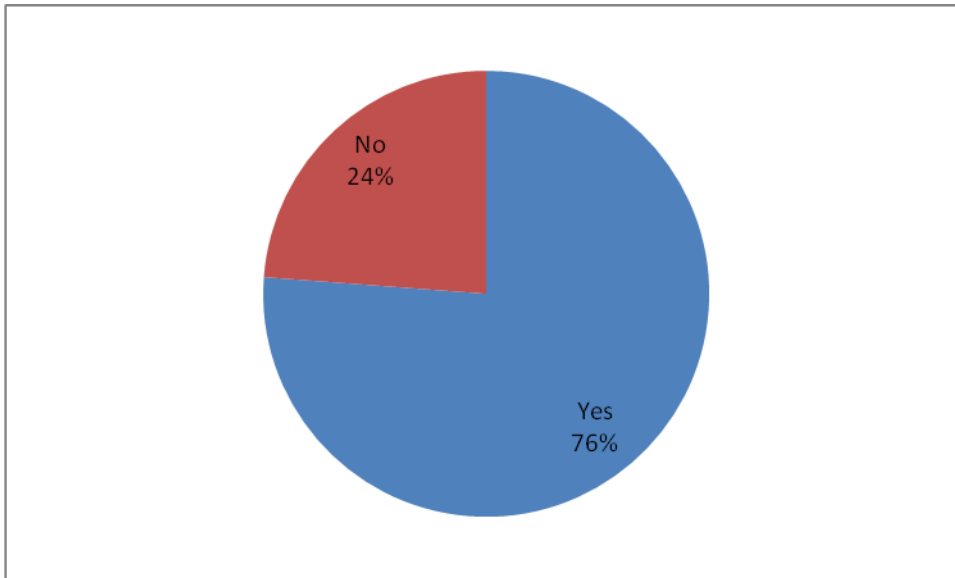


Figure 4.5: Financial Administration Reports and Budgetary Absorption

Majority of the respondents who were 76% as shown in Figure 4.5 indicated that financial administration reports have an impact on budgetary absorption while 24% of the respondents indicated that financial administration reports do not have an impact on budgetary absorption.

The study sought an explanation in relation to the effect of financial administration reports on budgetary absorption. The respondents were of the opinion that funds are received on the last month of the quarter or the last quarter of the year the timely and effective execution of annual and quarterly work plans is harder. Releasing fund late is the reason for not implementing or delaying ongoing projects and planned activities which mostly require continuous and cash flow that is predictable.

On the same objective, the respondents were asked to give their facts on the effects of financial administration reports factors on budgetary absorption. A likert scale of 1-5 was used. Where, 1=No Effect, 2=Low Effect, 3=Moderate Effect, 4=Great Effect and 5=Very Great Effect. The findings are as illustrated in Table 4.2.

Table 4.2: Financial Administration Reports

		No	Low	Mode		Very		Stan
		Effec	Effec	rate	Great	Great	Me	dard
		t	t	Effect	Effect	Effect	an	Devia
								tion
Responsibility of								
financial administration	of	6.00	11.90	22.60	53.60			
officers		%	%	%	%	6.00%	3.42	0.98
Financial administration		7.10	6.00	11.90	71.40			
involvement in the county		%	%	%	%	3.60%	3.78	0.93
Financial administration		3.60	10.70	27.40	51.20			
standards adopted		%	%	%	%	7.10%	3.48	0.91
Types of procurement								
procedures adopted by the		4.80	7.10	10.70	72.60			
county		%	%	%	%	4.80%	3.67	0.75
How regularly financial								
controls are being		4.80	6.00	33.30	42.90			
monitored		%	%	%	%	13.10%	3.44	0.96
Average							3.92	0.91

From the findings shown in Table 4.2, majority of the respondents who were 53.60% indicated that responsibility of financial administration officers have a great effect on budgetary absorption. The results also revealed that majority of the respondents who were 71.40% indicated that financial administration involvement in the country has a great effect on budgetary absorption. The findings also showed that majority of the respondents who were 51.20% indicated that financial administration standards adopted have a great effect on budgetary absorption. The results further showed that majority of the respondents who were 72.60% indicated that types of procurement procedures adopted by the county have a great effect on budgetary absorption. The results further revealed that majority of the respondents who were 42.90% indicated that how regularly financial controls are being monitored have a great effect on budgetary absorption.

On a five point scale, the average mean of the responses was 3.92 which mean that majority of the financial administration reports factors have a great effect on budgetary absorption; however the answers were varied as shown by a standard deviation of 0.91

4.2.2 Financial Control Processes and Budgetary Absorption

The second objective was to find out if financial control processes have an effect on budgetary absorption in Mandera County. Respondents were asked to indicate in their opinion whether financial control processes have an impact on budgetary absorption. Figure 4.6 shows the findings.

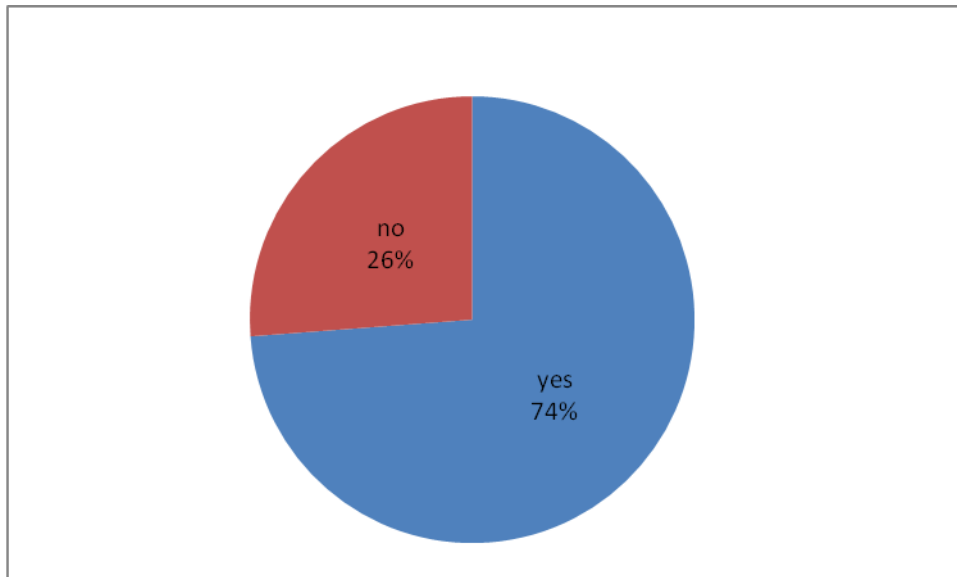


Figure 4.6: Financial Control Processes and Budgetary Absorption

As shown in Figure 4.6, majority of the respondents who were 74% indicated that financial control processes have an impact on budgetary absorption while 26% of the respondents indicated that financial control processes do not have an impact on budgetary absorption.

The respondents who indicated that financial control processes have an impact on budgetary absorption explained that financial management and control practices may lead to a marked influence on the financial wellbeing of an organization, identifying the casual relationship that exists between government spending and revenue gives an

insight on the different policy frameworks that can help control government spending and budgeting rules and regulations are of three forms. Those of rules covering transparency, numerical targets looking at balanced laws of budgets and procedural rules.

The respondents were further asked to give their facts on the effects of financial control processes factors on budgetary absorption. A likert scale of 1-5 was used where, 1=No Effect, 2=Low Effect, 3=Moderate Effect, 4=Great Effect and 5=Very Great Effect. The study results are as shown in Table 4.3.

Table 4.3: Financial Control processes

	No Effect	Low Effect	Moderate Effect	Great Effect	Very Great Effect	Mean	Standard Deviation
Level of competence among employees in regards to financial controls	11.90%	6.00%	19.00%	7.10%	56.00%	4.4	1.11
Level of education among employees in regards to financial controls	4.80%	13.10%	9.50%	63.10%	9.50%	3.96	0.9
The number of managers per each section of the ministry department	4.80%	6.00%	17.90%	13.10%	58.30%	4.14	1.19
The expenditure and purchasing controls put in place	4.80%	8.30%	16.70%	23.80%	46.40%	3.99	1.19
Average						4.12	1.097

As shown in Table 4.3, majority of the respondents who were 56% indicated that level of competence among employees in regards to financial controls have a great effect on budgetary absorption. The results also revealed that majority of the respondents who were 63.10% indicated that level of education among employees in regards to financial controls have a great effect on budgetary absorption. The results also

showed that majority of the respondents who were 58.30% indicated that the number of managers per section of the ministry department have a very great effect on budgetary absorption. In addition, the results revealed that majority of the respondents who were 46.40% indicated that the expenditure and purchasing controls put in place has a very great effect on budgetary absorption.

On a five point scale, the average mean of the responses was 4.12 which mean that majority of the financial controll processes factors have a great effect on budgetary absorption; however the answers were varied as shown by a standard deviation of 1.09.

4.2.3 Budget Management and Budgetary Absorption

The third objective was to determine the effect of budget management on budgetary absorption in Mandera County. The respondents were asked to indicate in their opinion whether budget management has an impact on budgetary absorption. The findings are as shown in Figure 4.7.

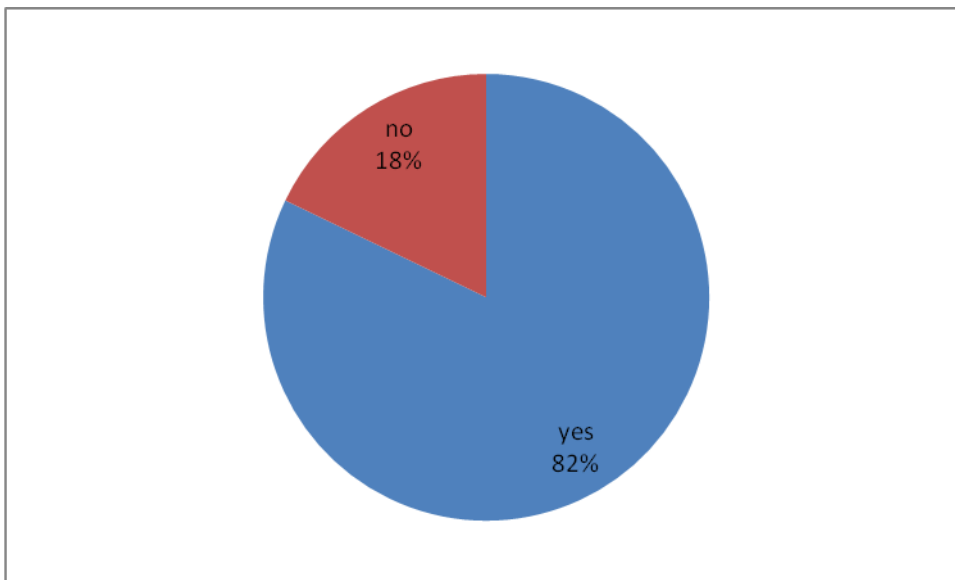


Figure 4.7: Budget Management and Budgetary Absorption

As shown in Figure 4.7, most of the respondents who were 82% indicated that budget management has an impact on budgetary absorption while 18% of the respondents indicated that budget management does not have an impact on budgetary absorption.

The explanation given in relation to how budget management impacts on budgetary absorption was that if a work plan given has lumpy and large investments with less that required finances approved and released for use there is likelihood that the project cannot start since nothing is there to be spent and that large differences noted between approved budget and the actual result released arise as a result of weaknesses in the fiscal mechanisms and most important the arbitrary rationing of cash.

On the same objective, the respondents were asked to give their facts on the effects of budget management factors on budgetary absorption. A likert scale of 1-5 was used where, 1=No Effect, 2=Low Effect, 3=Moderate Effect, 4=Great Effect and 5=Very Great Effect. The findings are illustrated in Table 4.4.

Table 4.4: Budget Management

	No Effect	Low Effect	Moderate Effect	Great Effect	Very Great Effect	Mean	Standard Deviation
What is involved in budget management	4.80%	2.40%	20.20%	64.30%	8.30%	3.69	0.85
The amount of extra revenue collected per each quarter	6.00%	10.70%	22.60%	46.40%	14.30%	3.59	1.04
The amount of expected revenue spending per each quarter	7.10%	7.10%	8.30%	17.90%	59.50%	4.15	1.27
The saving made on budget estimates	4.80%	10.70%	8.30%	67.90%	8.30%	3.74	0.95
How are variances are managed	10.70%	7.10%	8.30%	11.90%	61.90%	4.07	1.4
Average						3.85	1.10

From the findings as shown in Table 4.4, majority of the respondents who were 64.30% indicated that what is involved in the budget management has a great effect on budgetary absorption. The study also revealed that majority of the respondents who were 46.40% indicated that the amount of extra revenue collected per each quarter has a great effect on budgetary absorption. Further, the results revealed that majority of the respondents who were 59.50% indicated that the expected revenue spending per each quarter has a very great effect on budgetary absorption. In addition, the results showed that majority of the respondents who were 67.90% indicated that the saving made on budget estimates has a great effect on budgetary absorption. The findings also revealed that majority of the respondents who were 61.90% indicated that how variances are managed has a very great effect on budgetary absorption.

On a five point scale, the average mean of the responses was 3.85 which mean that majority of the budget management factors have a great effect on budgetary absorption; however the answers were varied as shown by a standard deviation of 1.10.

4.2.4 Fiscal Accountability Reviews and Budgetary Absorption

The fourth objective was to find out the effect of fiscal accountability reviews on budgetary absorption in Mandera County. The respondents were asked to indicate in their opinion whether fiscal accountability reviews has an impact on budgetary absorption. These results are as shown in Figure 4.8.

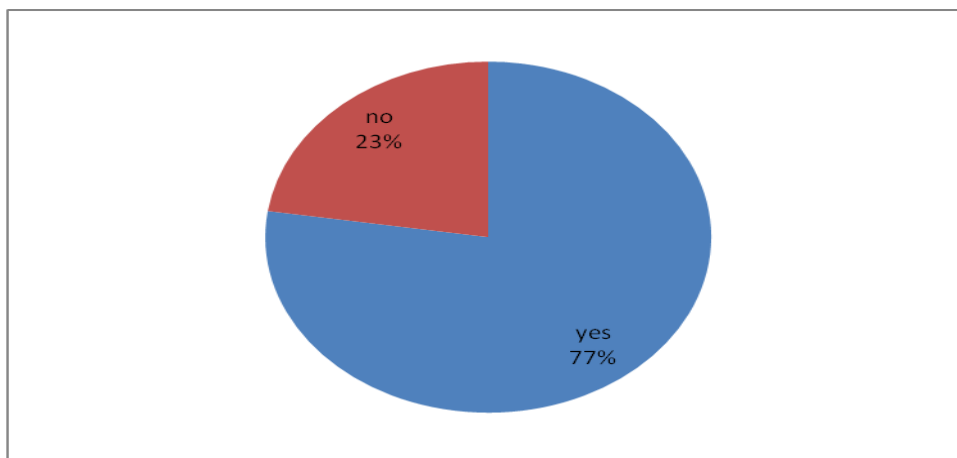


Figure 4.8: Fiscal Accountability Reviews and Budgetary Absorption

As indicated in Figure 4.8 majority of the respondents who were 77% indicated that fiscal accountability reviews have an impact on budgetary absorption while 23% of the respondents indicated that fiscal accountability reviews do not have an impact on budgetary absorption.

The respondents were further asked to give their facts on the effects of fiscal accountability reviews factors on budgetary absorption. A likert scale of 1-5 was used where, 1=No Effect, 2=Low Effect, 3=Moderate Effect, 4=Great Effect and 5=Very Great Effect. This was as illustrated in Table 4.5.

Table 4.5: Fiscal Accountability Reviews

	No Effect	Low Effect	Moderate Effect	Great Effect	Very Great Effect	Mean	Standard Deviation
What fiscal accountability involves	7.10%	4.80%	63.10%	15.50%	9.50%	3.15	0.92
How many financial systems are put in place	4.80%	11.90%	21.40%	60.70%	1.20%	3.42	0.89
The number of systems used for monitoring and supervision	3.60%	8.30%	14.30%	66.70%	7.10%	3.65	0.87
How the systems put in place are used	4.80%	2.40%	8.30%	64.30%	20.20%	3.93	0.9
Where the responsibility of auditing of various programs lies	4.80%	9.50%	8.30%	13.10%	64.30%	4.23	1.23
Average						3.68	0.96

From the findings shown in Table 4.5, majority of the respondents who were 63.10% indicated that what is involved in fiscal accountability has a moderate effect on budgetary absorption. The findings also showed that majority of the respondents who were 60.70% indicated that the number of financial systems put in place has a great effect on budgetary absorption. The findings also revealed that majority of the respondents who were 66.70% indicated that the number of systems used for monitoring and supervision has a great effect on budgetary absorption. The results

further revealed that majority of the respondents who were 64.30% indicated that how the monitoring and supervision systems put in place are used has a great effect on budgetary absorption. Further, the findings revealed that majority of the respondents who were also 64.30% indicated that where the responsibility of auditing of various programs lies has a very great effect on budgetary absorption. On a five point scale, the average mean of the responses was 3.68 which mean that majority of the fiscal accountability reviews factors have a great effect on budgetary absorption; however the answers were varied as shown by a standard deviation of 0.96

4.2.5 Budgetary Absorption

Budgetary absorption was the dependent variable in the study. The respondents were asked to indicate their facts on the extent of budgetary absorption in the county. A likert scale of 1-5 was used where: 1=No extent, 2=Low extent, 3=Moderate extent, 4=Great extent, 5=Very great extent. This is shown in Table 4.6.

Table 4.6: Budgetary absorption

	No Extent	Low Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Standard Deviation
Budgetary absorption has been effective in the county	7.10%	11.90%	14.30%	61.90%	4.80%	3.65	1.01
Funds have been utilized for the intended purposes	1.20%	7.10%	16.70%	64.30%	10.70%	3.29	0.8
County expenditure has complied with the budget allocated	4.80%	7.10%	61.90%	19.00%	7.10%	3.6	0.91
County projects have been successfully implemented	6.00%	7.10%	19.00%	59.50%	8.30%	3.47	0.9
Budgetary absorption has increased in the county	6.20%	4.78%	55.43%	25.90%	7.69%	3.49	0.8
Average						3.58	0.905

The results as shown in Table 4.6 revealed that majority of the respondents who were 61.90% indicated that budgetary absorption has been effective in the county. The results further revealed that majority of the respondents who were 64.30% indicated that funds had been utilized for the intended purposes. The findings also showed that majority of the respondents who were 61.90% indicated that the county expenditure had complied with the budget allocated to a moderate extent. Further, the findings showed that majority of the respondents who were 59.50% indicated that county projects have been successfully implemented to a great extent. The results also showed that majority of the respondents who were 55.43% indicated that the budgetary absorption in the county had increased in the county.

4.4 Inferential Statistics

4.4.1 Correlation Analysis

Table 4.7 below presents the results of the correlation analysis.

Table 4.7: Correlation Analysis

		Budgetary absorption	Financial administration reports	Financial controll processess	Budget managemement	Fiscal accountability reviews
Budgetary absorption	Pearson Correlation	1				
	Sig. (2-tailed)					
Financial administration reports	Pearson Correlation	.370*	1			
	Sig. (2-tailed)	0.013				
Financial controll processess	Pearson Correlation	.421**	0.198	1		
	Sig. (2-tailed)	0.001	0.177			
Budget management	Pearson Correlation	.67**	0.21	-0.186	1	
	Sig. (2-tailed)	0.003	0.153	0.206		
Fiscal accountability reviews	Pearson Correlation	.356**	.381**	0.253	-0.205	1
	Sig. (2-tailed)	0.01	0.008	0.083	0.163	

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed).

The results in Table 4.7 revealed that financial administration reports and budgetary adoption are positively and significantly related ($r=0.370$, $p=0.013$). The results further indicated that financial control processes and budgetary adoption are positively and significantly related ($r=0.421$, $p=0.001$). In addition, the results showed that budget management and budgetary adoption are positively and significantly related ($r=0.67$, $p=0.003$). Similarly, the results showed that fiscal accountability reviews and budgetary adoption have a positive and significant relationship ($r=0.356$, $p=0.001$)

4.4.2 Regression Analysis

The results in table 4.8 presented the fitness of model of regression model used in explaining the study phenomena.

Table 4.8: Model Fitness

variables	co-efficient
R	0.782
R ²	0.613
Adjusted R ²	0.567
Std. error of the estimate	0.48046

As shown Table 4.8 financial administration reports, financial control processes, budget management and fiscal accountability reviews were found to be satisfactory variables in budgetary absorption. This was supported by coefficient of determination also known as the R square of 56.7%. This meant that financial administration reports, financial control processes, budget management and fiscal accountability reviews explain 56.7% of the variations in the dependent variable which was budgetary absorption. The results further meant that the model applied to link the relationship of the variables was satisfactory.

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in

explaining the relationship; else the model would be regarded as non-significant. Table 4.9 provided the results on the analysis of the variance (ANOVA).

Table 4.9: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.698	4	1.674	7.253	.000
Residual	9.926	43	0.231		
Total	16.624	47			

Regression indicated that the model was statistically significant. Further, the results imply that the independent variables were a good predictor of budgetary absorption. This was supported by an F statistic of 7.253 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 4.10: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	1.103	1.028	-1.073	0.289
Financial administration reports	0.66	0.119	5.546	0.000
Financial controll processes	0.67	0.148	4.527	0.000
Budget management	0.733	0.188	3.894	0.000
Fiscal accountability reviews	0.424	0.133	3.174	0.003

Regression analysis showed that there is a positive and significant relationship between financial administration reports and budgetary absorption($r=0.66, p=0.000$). The results also indicated that there is a positive and significant relationship between financial controll processes and budgetary absorption($r=0.67, p=0.000$). Further, the regression results revealed that there is a positive and significant relationship between budget management and budgetary absorption($r=0.733, p=0.000$). The results also showed that there is a positive and

significant relationship between fiscal accountability and budgetary absorption($r=0.424,p=0.003$).

Thus, the optimal model for the study is;

$$\text{Budgetary Absorption} = 1.103 + 0.66 \text{ Financial Administration Reports} + 0.67 \text{ Financial Controll Processes} + 0.733 \text{ Budget Management} + 0.424 \text{ Fiscal Accountability Reviews}$$

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to establish the effects of public financial management practices on budgetary absorption in Mandera County. The chapter presents the summary of the findings from the analysis, the conclusions; the recommendations and suggestions for further research were articulated. This was done in line with the objectives and hypotheses of the study.

5.2 Summary

This section provided a summary of the findings from the analysis. This was done in line with the objectives of the study. The first objective of the study was to determine the effect of financial administration reports on budgetary absorption in Mandera County. The findings revealed that there was a significant association between financial administration reports and budgetary absorption. The findings were also supported by the statements in the questionnaire whereby majority of the respondents indicated that the financial administration reports factors have a great effect on budgetary absorption. This was also supported by the regression results which revealed that financial administration reports had a positive and significant effect on budgetary absorption ($r=0.66$, $p=0.000$).

The second objective of the study was to find out if financial control processes has an effect on budgetary absorption in Mandera County. The findings revealed a significant relationship between financial control processes and budgetary absorption. The findings were also supported by the statements in the questionnaire whereby majority of the respondents indicated that the financial control processes factors have a great effect on budgetary absorption. This was also supported by the regression results which revealed that financial control processes had a positive and significant effect on budgetary absorption($r=0.67$, $p=0.000$).

The third objective of the study was to determine the effect of budget management on budgetary absorption in Mandera County. The findings revealed that there was a significant association between budget management and budgetary absorption. The

findings were also supported by the statements in the questionnaire whereby majority of the respondents indicated that the budget management factors have a great effect on budgetary absorption. This was also supported by the regression results which revealed that budget management had a positive and significant effect on budgetary absorption ($r=0.733$, $p=0.000$).

The fourth objective of the study was to find out the effect of fiscal accountability reviews on budgetary absorption in Mandera County. The findings revealed that there was a significant association between fiscal accountability reviews and budgetary absorption. The findings were also supported by the statements in the questionnaire whereby majority of the respondents indicated that the fiscal accountability reviews factors have a great effect on budgetary absorption. This was also supported by the regression results which revealed that fiscal accountability reviews had a positive and significant effect on budgetary absorption ($r=0.424$, $p=0.003$).

5.3 Conclusions

Based on the findings above the study concluded that:

The study concludes that financial administration reports have an impact on budgetary absorption. Releasing fund late is the reason for not implementing or delaying ongoing projects and planned activities which mostly require continuous and cash flow that is predictable. Responsibility of financial administration officers has a great effect on budgetary absorption.

The study concludes that financial control processes have an impact on budgetary absorption. Financial management and control practices may lead to a marked influence on the financial wellbeing of an organization. Identifying the casual relationship that exists between government spending and revenue gives an insight on the different policy frameworks that can help control government spending and budgeting rules and regulations.

It was concluded that budget management has an impact on budgetary absorption. If a work plan given has lumpy and large investments with less that required finances approved and released for use there is likelihood that the project cannot start since

nothing is there to be spent and that large differences noted between approved budget and the actual result released arise as a result of weaknesses in the fiscal mechanisms and most important the arbitrary rationing of cash.

The study concludes that fiscal accountability reviews have an impact on budgetary absorption. Public finance field suggests that more emphasis must be given to institutional changes for example reforms in revenue administration. This is in addition to management style, administrative structure, organizational culture and staff retraining should be given equally priority to technical processes and system reforms.

5.4 Recommendations

Based on the research conclusions, the study recommended the following:

Financial administration employees should be engaged in the county projects that involve government funding. This may improve the financial accountability in the county and hence improve the absorption capacity.

Based on the research findings, the study recommended that organizations should undertake effective financial control processes to ensure that funds are utilized optimally and for the intended purposes. This in turn leads to improved financial performance.

The study recommended that organizations should manage their budgets to eradicate extravagance and use funds for stipulated purposes. Organizations more specifically county governments should undertake regular financial audits in order to identify discrepancies in the expenditures. This may help in identifying the relevant controls that may be put in place to boost financial performance.

The study also recommended that organizations should adopt fiscal accountability measures which may include segregation of accounting activities eventually leading to improved performance.

5.5 Areas for Further Studies

The study sought to establish the effects of public financial management practices on budgetary absorption in Mandera County. This study, therefore, focused on Mandera County only, thus area for further studies could consider other Counties for the purpose of making a comparison of the findings with those of the current study.

In addition, the study examined only four factors affecting budgetary absorption. Further studies should expand the scope and consider the effect of other factors on budgetary absorption.

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APPENDICES

APPENDIX I: LETTER TO THE RESPONDENTS

Said Maalim Hassan

Kenyatta University

NAIROBI-KENYA

REQUEST TO CONDUCT STUDY

I am an MBA student in the above mentioned university. I am in the research stage of the project in partial fulfillment of the requirements for the award of the MBA Degree. My research topic is “the effects of public financial management practices on budgetary absorption in Mandera County”.

It is my humble request to you to fill the attached questionnaire correctly. Please note that the data collected will be utilized strictly for academic purposes. A copy of the final document would be availed to you.

Thank you.

Yours faithfully,

Said Maalim Hassan

APPENDIX II: QUESTIONNAIRE

SECTION A: PERSONAL DATA

Kindly answer the questions in this section by ticking in the boxes provided.

1 Department/section _____

2 Gender (tick)

Male

Female

3 Age (tick)

Below 21 years

21 – 30 years

31 – 40 years

41 – 50 years

Over 50 years

4 Educational qualifications (tick)

Certificate

Diploma

Degree

Masters

Others (specify)

5 Experience in the organization (tick)

Less than one year

1 – 4 years

5 – 9 years

10 – 14 years

Above 15 years

SECTION B: EFFECTS OF PUBLIC FINANCIAL MANAGEMENT PRACTICES ON BUDGETARY ABSORPTION

This section requires you to give your facts on the variables given.

1. Financial Administration Reports

a) Do you think financial administration reports has impact on budgetary absorption in your county?(Tick)

Yes ()

No ()

b) If your answer is yes to question (a) explain?

.....
.....
.....
.....

c) Using the scale 1-5 as shown below please tick the extent of influence of the following financial administration reports factors on budgetary absorption.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5
No	Least	great	greater	greatest
Effect	effect	effect	effect	effect

Factor	1	2	3	4	5
Responsibility of financial administration officers					
Financial administration involvement in the county					

Financial administration standards adopted					
Types of procurement procedures adopted by the county					
How regularly financial controls are being monitored					

2. Financial Control Processes

a) Do you think financial control processes has an impact on budgetary absorption in your county?(Tick)

Yes ()

No ()

b) If your answer is yes to question (a) explain?

.....

.....

.....

.....

c) Using the scale 1-5 as shown below please tick the extent of influence of the following financial control processes factors on budgetary absorption.

1	2	3	4	5
No	Least	great	greater	greatest
Effect	effect	effect	effect	effect

Factor	1	2	3	4	5
---------------	----------	----------	----------	----------	----------

Level of competence among employees in regards to financial controls					
Level of education among employees in regards to financial controls					
The number of managers per each section of the ministry department					
The expenditure and purchasing controls put in place					

3. Budget Management

a) Do you think budget management has an effect on budgetary absorption?(Tick)

Yes ()

No ()

b) If your answer is yes to question (a) explain?

.....

.....

.....

c) Using the scale 1-5 as shown below please tick the extent of influence of the following budget management factors on budgetary absorption.

1

2

3

4

5

No

Least

great

greater

greatest

Effect

effect

effect

effect

effect

Factor	1	2	3	4	5
What is involved in budget management					
The amount of extra revenue collected per each quarter					
The amount of expected revenue spending per each quarter					
The saving made on budget estimates					
How are variances are managed					

4. Fiscal Accountability

a) Do you think fiscal accountability reviews is effective in budgetary absorption?(Tick)

Yes ()

No ()

b) If your answer is yes to question (a) explain?

.....

.....

.....

.....

.....

c) Using the scale 1-5 as shown below please tick the extent of influence of the following fiscal accountability reviews factors on budgetary absorption.

1

2

3

4

5

No

Least

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Effect

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effect

effect

effect

Factor	1	2	3	4	5
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What fiscal accountability involves					
How many financial systems are put in place					
The number of systems used for monitoring and supervision					
How the systems put in place are used					
Where the responsibility of auditing of various programs lies					

d. Any other comment or issue that can be addressed by this study?

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.....

Thank you for participating in this study

APPENDIX III: SECONDARY DATA COLLECTION GUIDE

Absorption rate per financial period	
Amount given from National government	
Allocations per financial period	
Budget Variances	
Expected revenue spending	
Revenue collected per financial period	
Procurement procedures adopted	
Financial Standards used	
Number of employees trained	
Number of managers and supervisors	
Number of projected initiated and completed	
New employment	