

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

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ABSTRACT

The Kenyan Constitution provides broad principles of public finance whereas rules are sets out by the Public Finance management of how the national government can raise and spend money. Despite the existence of a budget calendar with a widely consultative, extensive and highly participatory budgeting process carried out every fiscal year by State Corporations in Kenya in order to have minimal budget / actual variances, there is agreement that the performance of county budgets in Kenya is still weak, especially in the areas of product offering, service delivery and efficiency. The main objective of this study was to analyse budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The specific objectives were; to examine the impact of County expenditure approval process on absorption of funds, to establish public participation challenges encountered in public expenditure, to determine how expenditure ceilings affect absorption of funds and to analyse financial reporting requirements and effects on absorption of funds allocated to the County Government of Kericho. The study was anchored on the theory of budgeting, innovation diffusion theory, public choice and public budget efficiency theory, and the institutional theory. This study adopted descriptive survey design and used questionnaires to collect data. The questionnaires were semi-structured and they were used as they were easy to administer. Drop-and-pick later technique of distribution was used to administer the research instrument. The validity of the research instruments was established by pre-testing the questionnaire and also by seeking options

of experts in the field of study. Cronbach's alpha was used to test the reliability of the research instrument. The collected data was coded and tabulated for easy analysis. Data was analysed by use of descriptive statistics like mean, mode and median. The study also used inferential statistics that is regression analysis. The findings were presented in frequency distribution tables, charts and bar graphs. The instrument for data analysis was Statistical package for the social sciences (version 24) computer software. The study found that to a great extent that public participation challenges affect expenditure absorption. The research found that to a great extent that communication affect expenditure absorption in Kericho. Further the study found out that public submissions are minimal because nearly all the views of the citizens are not captured in. The research found that that county expenditure approval process contributes the most to expenditure absorption in the County government of Kericho, Kenya, followed by public participation challenges. At 5% level of significance and 95% level of confidence, county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements were all significant on expenditure absorption in the County government of Kericho, Kenya. The study concluded that public submissions is minimal because nearly all the views of the citizens are not captured in. In addition, there is prioritization of the projects because the citizens will push their leaders to facilitate the implementation of the projects. In relation to the public oversight the study concluded that not many citizens are aware of the oversight mechanism and

they had to blame the executive in oversight instead of the MCAs. With the findings and conclusions made in this study, the researcher therefore recommends for policy implementations that; In general, fiscal stimulus plays an important role in the county's economic growth and development, especially if the county's monetary policy is restrictive and does not enable companies to

establish better economic conditions in order to increase their productivity.

Key Words: *absorption, absorption rate, budget, compliance, county expenditure approval process, expenditure, expenditure approval, expenditure ceiling, financial reporting, public participation challenges*

INTRODUCTION

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

In Europe, the performance and results budgeting mechanism of the European Union (EU) is advanced and highly defined, with a higher score than any Organization for Economic Cooperation and Development (OECD) country in the Standard Performance Budgeting Structure Index (Ronnie, Delphine and Scherie 2017). The EU framework is sui generis, representing different characteristics of OECD norm categorization of presentational, performance-based and straight budgeting, as well as strengths and limitations which are often realized at national level. EU budgetary activities provide a range of successful and creative dimensions that which carry instructions for national governments to draw by themselves plans of performance-based expenditure reform. The strategic and organizational objectives of the EU are set out in a number of harmonizing structures – Europe 2020, Juncker 's 10 priorities, the European Council 's strategic agenda – which pose possible challenges to coherence and communication, (Ronnie, et al., 2017). Consequently, the EU system addresses the short-comings in realistic and workable way: particularly, the Europe 2020 agenda of smart, maintainable and comprehensive development has become a de facto guide whose effect has been communicated across the performance context the numerous programmes. There is scope to communicate much explicitly, in the sense of the budget, how strategic dimensions reinforce success and outcomes: a new ex ante “Statement of EU Budget Goals” is proposed, by use of structural template of the current EU budget headings and defining a limited number of headline targets in each region. Such an strategy will help to circumvent the danger of "knowledge overload" inherent in many national output budgeting systems and is also a specific risk in the EU context (OECD, 2017).

In Africa, faced with a high demand for fiscal policy and insufficient resources, the South African Democratic Government has also introduced a budget restructuring program aimed at ensuring the affordability of aggregate public spending, the allocation of public money to services that will

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

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

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

In a coherent medium-term macro-economic and fiscal background, MTEFs are tools for translating policies and plans into public expenditure initiatives; a stable budget framework includes an effective mechanism for determining and funding priorities, i.e. using the budget as a means to achieve the national agenda. This is what MTEF budgeting tries to address and is achieved mainly through a consultative system involving all stakeholders at all stages of the budgeting phase in decision-making. This means that the intended usage of funds is held by sector players and that they are more involved in the implementation of the budget. The consultation of stakeholders often involves the establishment of a clear structure for political involvement in the budgetary process, in particular the parliamentary one (World Bank Report, 2008) and now the new form of government county assembly.

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

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

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

Line ministries also finalize ministerial detailed and program-based budgets in compliance with the recommendations of the SWG and the directives of the macro working group. This program-based budget is planned on the basis of the guidelines set out in the Treasury circular and other policy guidance documents, i.e. the vision for Kenya 2030 or the medium-term plan, respectively. The programmers highlighted in these documents are given priority in terms of funding and clear deadlines set for the achievement of the software. The budget on the corresponding line is then reviewed by the treasury and the department. The treasury then submits the estimates to the cabinet

for approval to publish the approved estimates and send the budget to parliament for presentation. As per the budget, the presentation departments will then begin to appropriate the funds (Bird, & Kirira, 2014).

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

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

STATEMENT OF THE PROBLEM

Expenditure absorption of County budgets in Kenya is still very poor. In an overview of the problems of budget implementation in Kenyan county governments, the Office of the Controller of Budgets (OCOB) described a range of issues facing the county governments. This included: failure of some county governments to completely implement IFMIS, low absorption of construction funds and failure to file financial statements on a timely basis. Counties were also

confronted with insufficient staffing and low levels of staff capability, especially in public procurement and financial management, despite the huge level of personnel emoluments expenditure. This impacted the execution of the expenditure, resulting in a poor absorption of funds (ROK, 2014). In addition, the Counties didn't have a monitoring and evaluation (M&E) system to allow for successful project monitoring and evaluation. Despite the existence of a budgetary calendar with a wide consultation procedure, an extensive and highly participatory budgeting mechanism carried out each fiscal year by county governments in Kenya with the intention of having minimal budget / actual variances, there is also a consensus that county government budget production in Kenya is still small, (Adongo, 2015). This is particularly true in terms of goods, service delivery and quality (Maritim, 2013). During execution, budget variances continue to occur. This is because budgets are not explicitly connected to the planning process and the policies implemented. The discrepancy between expenditure and revenue is unceasing, leading to mini-budgets, supplementary budget projections and redistribution of budget lines (Wanyoike, 2015). The Constitution of Kenya 2010 introduced the two-tier governance system in Kenya, where the National Government is responsible for funds mobilization and disbursement, whilst the Counties have responsibilities of regional development and efficiency in public fund management within the provisions of the Public Financial Management Act, 2012 which stipulates the budgetary restrictions and compliance controls that include; expenditure approval, public participation, financial reporting and expenditure ceilings. According to Adongo (2015), these restrictive measures are responsible to slow regional development. As a result, this was expected to spur balanced regional economic growth through prudent and increased funds absorption. However, from past studies, these measures have been identified to be responsible for slow expenditure absorption rates, especially in development budgets. In the counties, the most current figures put this at 64.9% overall, with 82.7% and 36% for recurrent and development expenditures respectively (Office of Controller of Budget, 2014). The budgetary method in Kenya has grown on an gradual basis over the last 45 years, without any fundamental transformations. However, the nation has continuously wants to change its structures in line with the reforms and conditions for good governance of public finances. All this led to the implementation of the budgeting of the MTEF. The Government of Kenya has also been faced with the challenges of delivering enhanced services to people while at the same time requiring stakeholder engagement, organizational transparency and effectiveness as mandated by new constitutional and public finance acts. In several countries, including New Zealand, Australia, Singapore, the Netherlands, Norway, Sweden, the United States, Canada, Mauritius, Rwanda, and South Africa, budgeting has been successful, but it has also been struggling in other countries such as Sri Lanka and Thailand (Sach, 2008). In Canada, for example, full adoption resulting in a major change in management culture would take between seven and ten years, even though there is strong leadership and successful transparency (GOK, 2006). The Kenyan budget was first introduced in 2006 and the first indicative budget was released in December 2008 for the 2008/2009 budget. The budget for 2009/10 has been provided in line as usual and no budgeting has been released to date. However, the budgetary mechanism in the Government Ministries has not been without obstacles. The budget for

2011/2012 was over Kshs. 100 billion was brought back to the treasury after it failed to be used. The money amount reimbursed impacts the progress phase of the project and also the objectives accomplishment. In addition, the Government plans to completely enforce the budget for the 2013/2014 budget (GOK, 2014). A number of unused funds may be attributed to bad timeliness or allocation for counties brought back to the treasury. It is with this in mind that the investigator aims to research the effect of budgetary enforcement by the Kericho County Government in Kenya on expenditure absorption.

RESEARCH OBJECTIVE

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

THEORETICAL FRAMEWORK

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

The budgeting theory is an academic research of the social and political motives behind the budgeting of government and civil society. The theory of budgeting guides in the budgeting planning function in this study since during budget planning processes, consideration of possible courses of action becomes an crucial part and leads to improved rationality. The budget enables the purpose of creating a performance standard with a corresponding comparison of the actual results with the established standard. Looking ahead rather than looking back is needed by those involved (Scott, 2015). As a result, budgets have been described as playing a variety of positions, including clear targets, coding learning, promoting regulation, and contracting with outsiders, (Selznick, 2014). Fisher exemplified this by “linking compensation to performance measures against the budget”, thereby making goals explicit, communicating objectives and thereby coding learning and illuminating performance measures for individual staff of a company (Goldstein, 2015).

The Innovation Diffusion Theory (IDT) has been developed by E.M. Rogers. The four key elements of the diffusion theory defined by Rogers (1995) are creativity, communication networks, time and the social system. The theory also includes interaction, which Rogers (1995) argues plays various roles as a mechanism at various stages of the innovation decision-making process. This study examined the numerous channels of decision-making, change agents, skills teaching and communication mechanisms used in the implementation and adoption of budgetary enforcement and its effect on the absorption of expenditure by county governments in Kenya.

Cognitive evaluation theory was suggested by Deci and Ryan (1985). This theory implies that there are, in reality, two motivating mechanisms, both intrinsic and extrinsic, leading to two kinds

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

Institutional theory goes back thousands of years ago, when, with his concept of the iron cage created by rampant institutionalization, Max Weber, an economist and social theorist, concentrated on how bureaucracies and institutions came to control our society. Institutional theory reflects on wider and also more resilient determinants of the actions of economic actors. It reflects the mechanisms by which systems, as well as schemes; laws, standards and routines, are defined as authoritative strategies for social behaviour and broadens to clarify the economic interaction amongst a variety of economic analyses. Institutional Theory has been positioned in the budgeting procedure discipline to clarify public sector budgeting process reforms (Frumkin & Galaskiewicz, 2004). The effect of institutional constraints on the budgetary process The use of survival knowledge depends on the management of the quality and conditions of technical work activities or on the ceremonial compliance with the institutional setting (Collier, 2001). Institutional Theory was proposed in this research to direct the budgetary assessment variable by defining other variables that affect the use of knowledge on the budgeting process in the budgetary decision-making process for value and economic legitimacy. In this present study, most of the questions posed regarding institutional theory have been answered by acknowledging the presence of political and administrative actors and those required to have different positions and powers in the decision-making process of LGAs within their institutional context.

EMPIRICAL REVIEW

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

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

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

Budget process is motivated on appropriation by the levels of revenues collected for use. Baurer (2005) in a World Bank Study about the administration of taxes and small and medium enterprises in the developing countries notes that the corrupt staff may add onto the high information asymmetry and sources of poor relations with the relevant enterprise communities. In addition, there is lack of goodwill to establish a self-assessment and a model to compliance of the relevant laws. Subsequently, the lack of specialization in the tax department administration it has proven with difficulty to ensure comprehensive filing of the returns from the public enterprises. He concludes noting that, a fairly tax compliant institution does encourage taxpayers' responsiveness and limits evaders of the same benefiting mutually the small and medium enterprises and collecting authorities.

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

In a study on "The Politics of Taxation and Implications for Accountability in Ghana 1981-2008" by Prichard, (2008) covering a 27 year period in Ghana's tax administration and collections, it found out a significant evidence of taxation requiring great accountability and that the relationship has periodically evolved depending on the time and tax categories or types with the context of

them. It further, observes that in Ghana, the local tax officials have for most times discouraged the local enterprises to pay for the local administration than National Government. This indicates low levels of tax collections and massive deficit gaps in the national budget. In a World Bank Policy working paper series study paper about subnational taxation in developing counties with focus on the developing countries over a period of ten years using published tax and revenue data by the relevant institutions, the study found out that inadequacy experienced by revenue or tax collections pushes high the low levels of revenues contributed to the exchequer (Bird, 2010) whereby it employed secondary method of data collection, covering time series data for the analysis.

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

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

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

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

Mwikali and Lucy (2016) researched factors that affect the staff output of Kenyan county governments, a case study of Mombasa County, the investigator used a descriptive survey template and collected data by completing questionnaires with inferential and descriptive data analysis by

using statistical package for social sciences. It found out that teaching of employees had an important effect on the efficiency of county governments, whilst the morale of workers and the accessibility of resources or funds had no influence on them.

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

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

Gacheru (2012) did a research on the impact of the budgetary control system on expenditure variance in the project-based companies. The study used a sample size of 21 and, in order to interpret the results, the researcher used a summary of the research design process, which describes the issue of whom, where and where the budgetary control mechanism and the budgetary control mechanism significantly influence the budgetary variance of that organization. Maritim (2013) (2013) examined the impact of the budgeting on the financial performance of Parastatals' manufacturing and commercial activities in Kenya. It has been identified that the budgetary practices that are common among firms are budgetary preparation, budget participation, budget participation and budgetary sophistication. However, the involvement of workers in the budgeting process has resulted in greater progress in the execution of the agenda set out in a specific timeframe preceded by budget preparation. Consequently, the findings reinforced the urge for a participatory budgeting system involving all staff cadres through their sectional heads and incorporating their views into the budget process. The development of a feedback system has also been described as important in the implementation of the budget.

MATERIALS AND METHOD

Research Design

A descriptive survey format was adopted in this review. Surveys are helpful for identifying a broad population's characteristics. This design was chosen because very large samples are feasible, making the results statistically significant even while measuring a variety of variables. Consequently, the nature of the descriptive survey was chosen because the respondents were expected to identify the situation as it is in the Kericho County Government. This saved the time of the researcher as the respondents gave a summary the details on the subject.

Target Population

The population within this study constituted the whole political, technical and civic leadership of the Kericho County Government which, at the time of the research, resided within the boundaries of the said county. In addition, the county has an addition of 391 members of staff in the categories of public employees, elected and attached to the Transitional Authority.

Sampling Design

The determination of the sample was motivated by the need to obtain a sample that is representative, to the degree possible, of the population as a whole. Because the target population includes individuals from various cohorts, a stratified random sample was used to select 84 respondents from sub-county categories. This sampling technique must be used when the population of interest is not homogeneous; in this specific case, the population of interest is made of various staff members. For the above target population of 391 a sample size of 21.5% was taken to make a sample size of 84 respondents

Data Collection Instrument

This sets out how data were obtained and analyzed for the analysis. The research used a questionnaire for the collection of primary data. Questionnaire is suitable for studies as it collects knowledge that is not clearly measurable as it inquires about emotions, motives, behaviors, achievements as well as individual experiences.

Data analysis and Presentation

Before processing the replies, the preparation of the data on the filled up questionnaires was carried out by editing, coding, entering and cleaning the data. Both qualitative and quantitative data were produced by the study. Quantitative data were encoded and entered in the Statistical Packages for Social Scientists (SPSS Version 22.0) and analyzed using descriptive and inferential statistics. Qualitative data was analyzed on the basis of the consistency of the answer. Responses to common themes or patterns were grouped together into cohesive categories. Descriptive statistics included the use of absolute and relative (percentage) frequencies, core pattern measurements and

dispersion (medium and standard deviations, respectively). The descriptive statistical instruments helped to define the data and to assess the levels of agreement between the respondents and the different statements under each factor. The study also employed inferential statistics in the form of multiple regressions to establish effect of budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The regression analysis is beneficial to the study in that this type of statistical calculation gives counties a way to see into the future. The regression equation was:

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

Where: Y represents expenditure absorption of Kericho County government; β_0 is a constant term; X_1 - County expenditure approval process; X_2 - Public participation challenges; X_3 - Expenditure ceilings; X_4 - Financial reporting requirements; ε -Error term

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

RESEARCH RESULTS

County Expenditure Approval Process

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

Respondents were requested to show the degree to which various statements influence Expenditure Absorption in Kericho. From the findings above, the respondents indicated to a great extent that expenditure approval laws affect expenditure absorption in Kericho (mean=4.27), followed by approving county budget expenditure affects expenditure absorption in Kericho (mean=4.22). This depicts that to a great extent that expenditure approval laws affect expenditure absorption in Kericho.

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

Public Participation Challenges

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

The respondents were requested to indicate the level at which numerous statements influence Expenditure Absorption in Kericho. From the outcomes the respondents indicated to a great extent that communication impact expenditure absorption in Kericho (mean=4.15), followed by commitment (mean=4.09) and violence (mean=3.99). This depicts that to a great extent that communication affect expenditure absorption in Kericho.

Views on Budgetary Compliance and Expenditure Absorption

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

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

The respondents were invited to indicate extent to which numerous statements influence Expenditure Absorption in Kericho. From the findings the respondents indicated to a great extent that spending limits affect expenditure absorption in Kericho (mean=4.39), followed by increased inflation (mean=4.25) and resource ceiling (mean=4.12). This depicts that to a great extent that spending limits affect expenditure absorption in Kericho.

Financial Reporting Requirements

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

participation of the county helps in identifying areas of weakness hence direct resources to facilitate development.

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

Respondents were requested to show extent to which numerous statements affect Expenditure Absorption in Kericho. The answers were placed on a five likert scale in which, 1=not at all, 2= little extent, 3=moderate extent, 4=great extent, while 5=very great extent. From the findings the respondents indicated to a great extent that accounting standards affect expenditure absorption in Kericho (mean=3.99), followed by auditing standards (mean=3.82) and appropriate levels of surveillance and enforcement (mean=3.79). This depicts that to a great extent that accounting standards affect expenditure absorption in Kericho.

INFERENCE STATISTICS

Table 1 shows the model summary of the association among the predictor variables and expenditure absorption in the County government of Kericho, Kenya.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.89	.792	.742	.312

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

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

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

The below table shows the ANOVA outcomes of the interrelationship among the predictor variables and expenditure absorption in the County government of Kericho, Kenya. The results are indicated in table 2.

Table 2: ANOVA of the Regression

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

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

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

The value of significance is 0.002, which is less than 0.05, so the model is statistically significant in predicting how variables are calculated (county expenditure approval process, public participation challenges, expenditure ceilings, and financial reporting requirements) impact the expenditure absorption in the County government of Kericho. The F critical at 5% level of significance was 3.123. Meanwhile F calculated is greater than the F critical (value = 25.185), this indicates that the overall model was significant.

The below table shows the coefficient of determination on the interrelationship among the predictor variables and Expenditure Absorption in the County government of Kericho, Kenya. The results are as indicated in table 2.

Table 3: Coefficient of Determination

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Model 1(Constant)	0.289	0.116		2.49	0.005
County expenditure approval process	0.319	0.122	0.514	2.61	0.001
Public participation challenges	0.287	0.117	0.452	2.45	0.002
Expenditure ceilings	0.245	0.106	0.413	2.31	0.001
Financial reporting requirements	0.229	0.098	0.398	2.34	0.001

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

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

$$Y = 0.289 + 0.319x_1 + 0.287x_2 + 0.245x_3 + 0.229x_4 + \epsilon$$

From the regression taking the independent variable at constant (county expenditure approval process, public participation challenges, expenditure ceilings, and monetary reporting

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

DISCUSSION OF FINDINGS

The study found that to a great extent that county expenditure approval process affect expenditure absorption. The study also found that to a great extent that expenditure approval laws affect expenditure absorption in Kericho. Han (2016) opined that the county government should comply with the laws of the county assemblies when conducting their duties in order to ensure that people receive the expected benefits. Members of the County Assembly pass appropriation bills to allow the county executive to remove funds from the county. The study found that delay caused by disagreements between the county executive and county assembly leads to delay in the execution of schemes. In addition, the research found that budget appropriation affects absorption in that those that are benefiting (staffs, CECs, and MCAs) are absorbed at almost 98% than those development executives.

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

The study found that those expenditures that are for domestic staff cost are fully utilized but those that are for development are not fully utilized. In relation to the exchequer requisition the study found that it does not affect the executive. The executive requests the cash in time but the national treasury does not disburse the funds in time. The research opined to a great extent that expenditure ceilings affect expenditure absorption. The research similarly found that to a great extent that spending limits affect expenditure absorption in Kericho.

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

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

CONCLUSION AND RECOMMENDATIONS

The study concluded that county expenditure approval process affects expenditure absorption to a great extent. The study concluded that public submissions are minimal because nearly all the views of the citizens are not captured in. In relation to the exchequer requisition the study concluded that it does not affect the executive. The executive requests the cash in time but the national treasury does not disburse the funds in time. The study concluded that timely and accurate reporting in quarterly basis assist the county in identifying areas of over/under absorption. The study further concluded that active participation of the county helps in identifying areas of weakness hence direct resources to facilitate development.

With the findings and conclusions made in this study, the researcher therefore recommends for policy implementations that; Generally, fiscal stimulus plays an important role in the economic growth and development of the county, particularly if the monetary policy of the county is restrictive and does not help to create better economic conditions for firms to increase their

productivity. More fiscal control, which will reduce the excess of government spending, should therefore be encouraged. The low investment profile in the county is explained by deficit financing and a heavy external debt burden. Consequently, this calls on the county government to redirect its economic policy in favor of private investors by discouraging high government spending and maintaining a low fiscal deficit. Further, the study recommends that budgeting approaches and philosophies that are modern should be adopted since they minimize financial mishandling. Budgets have been used to attain cost-effectiveness, in planning, in procedures, in scheduling tasks, in encouraging efficiency, in communicating plans and procedures, and in assessment and auditing. Budgetary involvement can be used as measures to improve the engagement of county workers and, as a result, county results, because the lack of commitment of workers contributes to a low rate of participation of people, a psychological withdrawal reflected in lower levels of personal investment and poor risk-taking behaviour. The research focused on the budgetary compliance on expenditure absorption in the County government of Kericho, Kenya. The study recommends that further research should be done on the budgetary compliance on expenditure absorption in other counties to allow for generalization purposes and benchmarking.

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