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FACTORS AFFECTING PUBLIC EXPENDITURE IN THE COUNTY PUBLIC SERVICE IN KENYA: A CASE OF EMBU COUNTY GOVERNMENT

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Abstract

The budget absorption rates both for the National and County Governments in Kenya, remains low, causing a scenario whereby Counties and other Government ministries, departments and agencies have to return to the Treasury unused funds after the end of a financial year which impacts negatively on quality service delivery and growth of the economy. The study sought to investigate factors affecting public expenditure in the County Public Service in Kenya. Specific objectives were to determine how political goodwill, staff motivation and government financial policies affects public expenditure in Embu County Government. The research employed descriptive research design, and utilised stratification and simple random sampling methods to determine the sample size. A sample size of 39 was derived from the target population of 178 members of staff. Data was collected using a questionnaire and analysed using frequencies, percentages and mean, and presentation done via tables, Likert scale, and figures. Majority of the respondents (51%) were strongly agreeing that political goodwill affects public expenditure within the Embu County Government, while another 31% agreed to that. Further, majority of the respondents (31%) were agreeing that staff motivation affects public expenditure, while another 26% were strongly agreeing to that. Majority of the respondents were in agreement that Government financial policies affect public expenditure with 33.5% agreeing to a great extent while another 33.5% to moderate extent. The study recommended that the County Government of Embu should implement the budget as per approved programmes, improve on public participation, train staff regularly and enhance the internal audit department.

Keywords: Budget, Public expenditure, Political goodwill, Staff motivation, Financial policies

INTRODUCTION

Public expenditure is defined as expenses the government incurs for its own maintenance, the society, the economy and helping other countries (Bhatia, 2012). A government's forecast of revenue and planned expenditure is laid out in its budget, usually produced on an annual basis. The budget is enacted into a law by the legislature, which authorises the government to spend funds in accordance with a set of appropriations. Further, the public financial management (PFM) laws and regulations regulate how the approved budget should be executed (Mathenge, Shavulimo & Kiama, 2017). Shah and Von (2007) found out that the effectiveness of government expenditures on public projects are hinged on planning process, project appraisal criteria applied, management responsibility and political environment for making project expenditure decision.

Most developed countries have minimum challenges in utilizing their budgets as compared to developing countries. Budgeting has further succeeded in many countries including New Zealand, Australia, Singapore, Netherlands, Norway, Sweden, USA, Canada, Mauritius, Rwanda and South Africa but also failed in others like Sri Lanka and Thailand (Sach, 2008). However, nations such as Romania, Sri Lanka and Thailand have failed in implementing their budgets, as a result of low capacity to absorb resources in planned programs.

In Africa, success in budget execution is highly noted in South Africa and Rwanda. In East Africa, Uganda has over the years registered low absorption rate of up to 23 per cent of its development budget with recent increase to 50 per cent (CSBAG, 2014). The Kenyan public sector is not an exception in facing challenges in budget execution. Amounts budgeted in every financial year are not fully utilized, and as a result most programmes and projects whether recurrent or development are not fully implemented (Keng'ara, 2014). County governments in Kenya in FY 2013/14 had low budget absorption rates, managing to spend only 58.1per cent of their aggregate budget. Consequently, the figures from the budget review and outlook papers for the year FY2013/14, FY2016/17 and FY2018/19 shows an under expenditure in both National and County Governments. The budget absorption rates for the counties ranged from 27.2% to 68.4% for the financial year FY2016/17 and 35.4% to 55.4% for the financial year FY2017/18. However, despite a growth in public expenditure in Kenya, according to the Kenya comprehensive public expenditure review of 2017(Government of Kenya [GOK], 2018, p.58), averagely the execution rate on the expenditures both at the National and County levels remains low. In the era of devolution in Kenya, there is need for more studies to be done to establish the effectiveness and efficiency of budgetary control and implementation and the reasons for the low absorption.

Statement Of The Problem

Sustainable public spending (Imana, 2017), is a vital instrument of stimulating economic growth, building the human capital and providing the welfare services for all. In Kenya, the budget absorption rates both for the National and County Governments remains low, creating a common place scenario whereby Counties and other Government ministries, departments and agencies have to return to the Treasury unused funds after the end of a financial year which impacts negatively on quality service delivery to the citizens and growth of the economy (Keng'ara, 2014; Government of Kenya [GOK], 2018, p.58). This study sought to examine factors affecting public expenditure in the County Public Service, in Kenya and thus provoke viable remedies especially in Embu County Government.

Objectives Of The Study

1. To determine how political goodwill affects public expenditure in the County Public Service in Kenya, a case of Embu County Government.
2. To determine how staff motivation affects public expenditure in the County Public Service in Kenya, a case of Embu County Government.
3. To determine the extent to which Government financial policies affects public expenditure in the County Public Service in Kenya, a case of Embu County Government.

Scope Of The Study

The study is focused on factors affecting public expenditure in the County Public Service in Kenya, a case of Embu County Government. The target population comprised of staff working within the institution.

CONCEPTUAL FRAMEWORK

A conceptual framework shows the concepts under study, illustrating the relationships among them. The nature of relationship existing among the independent variables and the dependent variables is as depicted in figure 1.

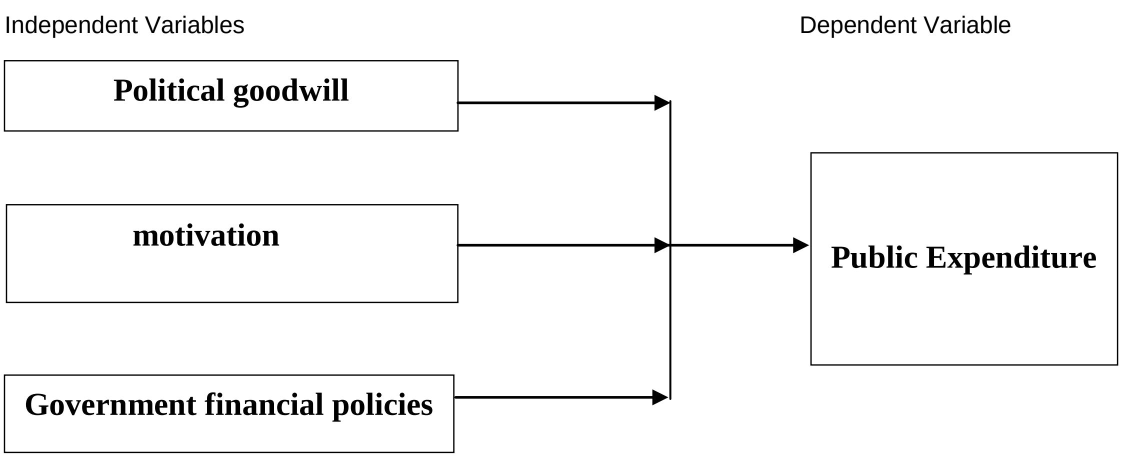

Figure 1: Conceptual Framework

LITERATURE REVIEW

Theoretical Framework

The Law of increasing state activities

The "Law of Increasing State Activity" proposes that, as a country experiences social progress due to industrialisation, the state is required to take a proportionally greater part in society's economic life. Wagner's law of increasing state activities is a universal truth in recent years. It is a fact that economic growth of a country has always been accompanied by increasing state activities and hence increasing public expenditure. Thus, as nations become more advanced the number and/or magnitude of market failures would force the state to become more regulatory in nature, thereby expanding its role and this would inevitably involve higher public expenditures.

Agency theory

Alchian and Demstez (1972) were the first writers of the agency theory which was further advanced by Jensen and Meckling (1976). The agency theory therefore seeks to describe the contractual relationships between agents and their principals where the principals entrust the agents with the responsibility to conduct activities on their behalf to accomplish their interests. For the agents to work effectively, the principals provide them with power and authority to carry out activities and make decisions on their behalf (Keng'ara, 2014). The theory can be used to describe the budget process in the Kenyan public sector where the National Treasury is the principal and the various ministries are the agents. The National Treasury is the custodian of the public funds and disburses these money to various ministries for implementation of their approved budgets (Cheboi, 2014). The accounting officers at the ministry have the responsibility to authorize expenditures from the funds received and take responsibility for any actions undertaken by the entity to achieve national objectives.

Stewardship theory

The stewardship theory seeks to answer how an organization can flourish and support their development whereas upgrading the riches of its partners and meet the well-being of the community around them. The theory foundations are in psychology and sociology and helps researchers examine situations where top management (agents) are motivated to work in the interest of the principal. The theory development commences with the review of market based restructurings that have played a significant role in reshaping the public service across the world. As stewards are responsible for managing the assets of the owners, they are required to act responsibly in the course of their duty. Stewardship is essential for the success of implementation of strategic plans in an organization. With a rich sense of reason, stewardship empowers companies to guarantee that their victory is feasible and underwrites to their future success as well as the wellbeing of society at huge.

Empirical literature

Leaders who are directly elected by the people through democratic electoral processes such as the politicians, when in office, have strong incentives to choose policies that will maximise their re-election prospects and promote their partisan agenda (Bove, Efthyvoulou & Navas, 2017). However, the elected leaders have a moral duty to offer support in terms of availing necessary resources (financial, material, method, human resources), upholding the rule of the law, creating strong institutions, creating a conducive environment for implementation of the development agenda and offering of quality services to the citizenry, as part of fulfilling their promises to the electorate who elected them. Therefore, political goodwill allows for the creation of the necessary policies and programs to guarantee implementation of the development agenda and programs which increase the welfare of the citizenry. The policies and programs should be backed by the necessary legal and regulatory frameworks.

There is evidence in literature, which shows that staff motivation increases the morale of the staff, thus increasing their work productivity, and consequently the organization throughput. Chitescu and Lixandrub (2016) in their study notes that each employee who develops professionally adds value to the organization, thus the need to motivate the human resources since they are essential assets. Geomani (2012) supposed, that motivation is very significant in the achievement of every organization's growth while George and Sabapathy (2011) argued, that work motivation stimulates an individual to take an action, which will result in attainment of some goals, or certain psychological satisfaction as cited in Zeglat (2017).

Kenya under the new constitution of 2010, established independent offices and commissions that are mandated to oversee the budget implementation, revenue allocation and auditing of public expenditure. It established Office of Controller of Budget which is mandated to oversee budget implementation and authorizes the exchequer releases, the Commission for Revenue Allocation that formulate the formulae of revenue sharing between the National and County government, also established the Office of Auditor General which is mandated to do audits in all governments ministries, agencies and departments. Parliament in august 2012, also enacted a new Public Finance Management Act 2012 (PFM Act), to provide for the effective management of public finances by National and County Governments, the oversights are established in the National Assembly, Senate and County Assemblies who enact various laws, rules, regulations and guidelines to run financial affairs of various departments in their mandate prudently. The prevailing Government financial policies have the capability to affect the public spending.

RESEARCH METHODOLOGY

The Study employed descriptive research design. The target population was 178 staff from management, heads of various departments and heads of sections within the Embu County Government as shown in the Table 1. A combination of stratified and then simple random sampling methods were used. The staff were categorised into strata of departments then simple random sampling was used to select the respondents. According to Gay, Mills and Airasian (2012) researcher can take sample of 10% of bigger population and at least 20% of a smaller population and that a sample of above 30 to 500 is good representation of a population. This is taken as rule of thumb. The researchers considered department's strata's and took equal percentage of 20% of sample from each strata, giving a sample size of 39 respondents. The data was collected using a self-designed questionnaire and analysed using frequencies, percentages and mean while the presentation of the data was via tables.

Table 1: Population and sample size

Departments	**Population**	**Sample size**
Finance and Economic Planning	25	5
Public Service and Administration	9	2
Infrastructure, Transport, Energy, Housing and Public works	7	2
Agriculture, cooperative development, livestock and fisheries	23	5
Water, Irrigation, Environment and Natural Resources	6	2
Lands, Physical planning and Urban Development	25	5
Trade, Tourism, Investment and Industrialization	9	2
Education, Youth, and sports	16	4
Gender, Children, Culture and social services	6	2
Health	52	10
Total	**178**	**39**

Source: Embu County Headquarters office (February, 2020)

RESULTS AND DISCUSSIONS

Response rate

The study targeted 39 respondents, all of whom favourably responded, giving a response rate of 100% as clearly tabulated and shown in the Table 2.

Table 2: Response rate

Questionnaires	Frequency	Percentage
Received	39	100
Not Received	0	0
N	39	100

According to Mugenda and Mugenda (2003), a response rate of 100% is excellent for analysis and subsequent reporting.

Respondent's age

Table 3: Respondent's age

Age Grouping	Frequency	Percentage
18 - 35 Years	7	18
36 - 50 Years	26	67
51 - 60 Years	6	15
61 Years and Above	0	0
N	39	100

The findings revealed that majority of the respondents (67%) were between the ages of 36-50 years, while those between the ages of 18-35 years were 18%, and those aged between 51-60 years 15%. The age factor was important as it revealed that majority of the respondents (aged between 18 and 50 years) would easily understand the research questions.

Respondent's educational levels

Table 4: Respondents level of education

Level of Education	Frequency	Percentage
PhD	0	0
Masters	6	15
Degree	8	21
Diploma	16	41
Certificate	9	23
N	39	100

The findings reveal that, majority of the respondents were diploma holders (41%), followed by certificate holders (23%), followed by degree holders (21%) and lastly masters' holders (15%).There was no PhD holders in the respondents. Majority of the respondents had fairly attained a level of education that would help them to understand and respond to questions competently.

Respondent’s work experience

Table 5: Respondents work experience

Years Worked	Frequency	Percentage
Upto 5 Years	14	36
6-7 Years	13	33
Above 8 Years	12	31
N	39	100

The respondents (36 %) had work experience of up to 5 years, while 33% had work experience of between 6 – 7 years while 31% had work experience of 8 years and above. Fundamentally, majority of the respondents had the necessary working experience that would help them to respond to questions competently.

Political Goodwill and Public Expenditure

Table 6: Does political goodwill affect public expenditure

Level of Agreement	Frequency	Percentage
Strongly agree	20	51
Agree	12	31
Undecided	3	8
Disagree	4	10
Strongly Disagree	0	0

The findings reveal that majority of the respondents (51%) were strongly agreeing that political goodwill affects public expenditure within the Embu County Government, while another 31% of the respondents were agreeing to that, while 8% of the respondents and another 10% of the respondents were undecided and strongly disagreeing respectively. This agrees with Bove et al., 2017 who noted that public spending is greatly influenced by the political leader’s agenda.

Elements of Political Goodwill

The results were tabulated in the Table 7 and the interpretation of the mean values was done using the Likert scale.

Table 7: Elements of political goodwill

Likert Statement	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Mean
	5	4	3	2	1	
	Frequency					
The County Government of Embu carries out public participation on various programmes of development to cater and balance the demands of different interest groups	15	15	4	5	0	4.00
The County Government of Embu executes the budget as per the approved programmes	4	8	7	11	9	2.67
The County Government of Embu makes available resources for use on time	3	4	10	10	12	2.38

The findings show that majority of the respondents indicated they were agreeing that the County Government of Embu carries out public participation on various programmes of development to cater and balance the demands of different interest groups, which had a mean value of 4.0 out of the possible mean value of 5. Further, the respondents indicated that they were disagreeing with the statement that the County Government of Embu executes the budget as per the approved programmes and also that the County Government of Embu makes available resources for use on time which had mean values of 2.67 and 2.38 respectively out of the possible mean value of 5.

Staff Motivation and Public Expenditure

Table 8: Does staff motivation affect public expenditure

Level of Agreement	Frequency	Percentage
Strongly agree	10	26
Agree	12	31
Undecided	6	15
Disagree	3	8
Strongly Disagree	8	20

The study reveal that majority of the respondents (31%) were agreeing that staff motivation affects public expenditure within the Embu County Government, while another 26%

of the respondents were strongly agreeing to that, while 15% of the respondents were undecided while another 8% and 20% of the respondents were disagreeing and strongly disagreeing respectively. Geomani (2012) supposes that motivation is very significant in the achievement of every organization's growth while George and Sabapathy (2011) argued, that work motivation stimulates an individual to take an action, which will result in attainment of some goals, or certain psychological satisfaction as cited in Zeglat (2017). Therefore, when the staff of Embu County Government are motivated, this can directly impact their performance and make them more productive.

Determinants of Staff Motivation

Table 9: Elements of staff motivation

Likert Statement	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Mean
	5	4	3	2	1	
	Frequency					
The County Government of Embu undertakes regular trainings of the staff	5	14	3	10	7	3.00
The County Government of Embu provides the necessary working tools for better staff performance	1	16	7	13	2	3.00
There is positive working relationships between the staff of the County Government of Embu and their supervisors	2	25	7	4	1	3.59
The County Government of Embu pays staff salaries on time	1	10	7	4	17	2.33

The findings indicate that respondents were undecided or indifferent about existence of positive working relationships between the staff of the County Government of Embu and their Supervisors, as well as the County Government of Embu providing the necessary working tools for better staff performance and lastly that the County Government of Embu undertakes regular trainings of the staff, with mean values of 3.59, 3.0 and 3.0 respectively out of the possible mean value of 5. Further, the respondents indicated that they were disagreeing with the statement that the County Government of Embu pays staff salaries on time with a mean value of 2.33 out of the possible 5. The County Government of Embu may need to change tact and seek to favorably address this elements of staff motivation among its workforce.

Government Financial Policies and Public Expenditure

Table 10: Extent to which Government financial policies affect public expenditure

What Extent	Frequency	Percentage
Very Great Extent	11	28
Great Extent	13	33.5
Moderate Extent	13	33.5
Little Extent	2	5
Not at All	0	0

The findings show that majority of the respondents were in agreement that Government financial policies affect public expenditure with 33.5% agreeing to a great extent while another 33.5% to moderate extent. Another 28% of the respondents agreed to a very great extent, while a further 2% of the respondents agreed to a little extent. Mugwe (2010) in his study on the challenges of budgeting in government ministries recommended the need to reform the financial regulations for success in budgeting.

Effectiveness of the implemented Government financial policies within Embu County Government

The results were analysed as shown, and the interpretation of the mean values was done using the Likert scale.

Table 11: Effectiveness of implemented Government financial policies

Likert Statement	Very Effective	Moderately Effective	Effective	Slightly Effective	Ineffective	Mean
	5	4	3	2	1	
	Frequency					
Procurement and tendering procedures regulations	2	18	13	6	0	3.41
Budgets and budgetary controls regulations	3	12	15	9	0	3.23
Miscellaneous accounting matters regulations	0	12	14	12	1	2.95
Internal management audit regulations	2	7	10	10	10	2.51

The findings shows that respondents indicated that Procurement and tendering procedures regulations and Budgets and budgetary controls regulations as implemented within the Embu County Government were effective, with indicative mean values of 3.41 and 3.23 respectively out of the possible mean value of 5. The respondents also clearly indicated that Miscellaneous accounting matters regulations and internal management audit regulations within the Embu County Government were slightly effective with mean values of 2.95 and 2.51 respectively out of the possible mean value of 5.

CONCLUSION AND RECOMMENDATIONS

The study revealed that the independent variables namely political goodwill, staff motivation and Government financial policies were affecting public expenditure in Embu County Government. The following recommendations were made;

(i) That the County Executives should implement the budget as per the approved programs, work to improve on public participation and minimize political interferences to ensure transparency in the use of the public funds.

(ii) That the Human Resource Department of Embu County Government should consider training staff regularly to build on their competencies and skills, carry out promotion of staff as per the scheme of service, and reward staff who meet and surpass their targets.

(iii) That the Finance Committee of the County Assembly and County Executive Committee member of Finance need to enhance prudent utilization of public funds by;

  (a) Adherence to the departmental budgets as approved
  (b) Enhancing the internal audit department
  (c) Exercise the principle of balanced budgets, to ensure that there are no budget deficits
  (d) Build staff capacity on use of IFMIS

FURTHER STUDIES

The research recommends that a study be carried out on the use of IFMIS and its impact on public expenditure in the County Public Service.

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