

**INFLUENCE OF FINANCIAL MANAGEMENT REFORMS ON PUBLIC
EXPENDITURES IN THE COUNTY GOVERNMENTS OF THE WESTERN
REGION OF KENYA**

BY

DAVID M. KULOVA

**A MASTER DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF MASTER OF SCIENCE IN COMMERCE
(FINANCE AND ACCOUNTING) IN THE SCHOOL OF BUSINESS AND PUBLIC
MANAGEMENT AT KCA UNIVERSITY.**

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OCTOBER, 2021

DECLARATION

I declare that this Master dissertation is my original work and has not been previously published or submitted elsewhere for the award of a degree. I also declare that this contains no material written or published by other people except where due reference is made or the author is duly acknowledged.

Signed:.....

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended
have been adequately addressed

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ABSTRACT

The Office of Auditor General reports indicate inefficient public expenditures in most County Governments in Kenya, despite existence of public financial management reforms. This study endeavors to examine influence of public financial management reforms (budget reforms, financial reporting reforms, fiscal decentralization reforms and public procurement reforms) on public expenditures in the County Governments of the Western Region of Kenya ; Kakamega, Vihiga, Busia and Bungoma County Governments. The study was guided by Resource allocation theory, Theory of Budgeting, Agency theory, Fiscal Decentralization Theory and Public Expenditure Management Model. The study utilized a descriptive survey design. The study targeted 65 Chief Officers from the four Counties in the Western Region. A total of 65 respondents were used as the sample size using census sampling technique Respondents' primary data was obtained directly from them using self-administered structured questionnaires. A pilot study was conducted in the County Government of Kisumu, which borders the study area. The Cronbach alpha test, which is a measure of internal consistency, was used to evaluate instrument validity, while the Cronbach alpha test, which is a measure of internal consistency, was used to assess the dependability of the research instruments. The obtained data was edited, cleaned, and coded before being analyzed using SPSS version 24. Inferential statistics, such as Pearson correlation coefficient and multiple regression analysis, was computed to test if there is a correlation, linear, or multiple relationships between the independent and dependent variables. Descriptive statistical analysis was used to summarize data using frequencies, percentages, and means, while inferential statistics, such as Pearson correlation coefficient and multiple regression analysis, will be computed to test if there is a correlation, linear, or multiple relationships between the independent and dependent variables. Tables and charts was used to display the outcomes of the analysis. Multiple linear regression results indicated that budget reforms had positive and significant effect on public expenditures. Financial reporting reforms, fiscal decentralization and public procurement reforms also had a positive and significant effect on public expenditures. On the other hand, the regression analysis revealed that the public financial management reforms explained up to 78.0% change in public expenditures in five counties from western region of Kenya. The study concluded that public financial management reforms significantly influence public expenditures in five counties from western region of Kenya. The study recommended that there is need to establish budget stabilization fund through an Act of Parliament. This fund will go a long way to enhance the practicability of exchequer release to the spending units. Budget stabilization fund can be used to make sure that there are no delays in budget execution and programme implementation. Further, more reforms should focus on disclosure of public sector financial information and fair reporting of service concession agreements in order to improve transparency in public expenditure.

Keywords: Public Financial Management Reforms, Public Expenditure, Western Region and County Government of Kakamega, Vihiga, Busia and Bungoma.

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TABLE OF CONTENTS	
DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
DEDICATION	vii
LIST OF TABLES	viii
LIST OF FIGURES	viii
ABBREVIATIONS AND ACRONYMS	ix
OPERATIONAL DEFINITION OF TERMS	x
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the study	1
1.2 Statement of the Problem.....	11
1.3 Objectives of the Study	13
1.4 Study Hypotheses	13
1.6 Significance of the Study	14
1.7 Scope of the Study.....	15
CHAPTER TWO: LITERATURE REVIEW	16
2.1 Introduction.....	16
2.2 Theoretical Framework	16
2.3 Empirical Review	21
2.4 Summary of Literature Review	33
2.5 Research Gaps	34
2.6 Conceptual Framework	35
CHAPTER THREE: RESEARCH METHODOLOGY	38
3.1 Introduction.....	38
3.2 Research Design	38
3.3 Target Population	38
3.4 Sampling Frame.....	39
3.5 Sample Size and Sampling Techniques	39
3.6 Research Instrument	40
3.7 Data Collection Procedure	40
3.8 Reliability of Research Instruments	41
3.9 Validity of Research Instruments	41
3.10 Pilot Test	41
3.11. Data Processing and Analysis	42
CHAPTER FOUR	45
RESEARCH FINDINGS AND DISCUSSIONS	45
4.1 Introduction.....	45
4.3 Response Rate.....	45
4.2 Validity and Reliability of research instruments	46
4.4 Background Information	46
4.5 Descriptive Statistics	49
4.6 Testing of Regression Model Assumptions	62
4.7 Inferential Statistics Analysis	63
CHAPTER FIVE	72
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	72
5.1 Introduction.....	72
5.2 Summary of the Findings.....	72

5.3 Conclusions.....	77
5.4 Recommendations	78
5.5 Areas for Further Research	79
REFERENCES.....	81
APPENDICES	89
APPENDIX I: INTRODUCTORY LETTER	89
APPENDIX II: RESEARCH QUESTIONNAIRE.....	90
APPENDIX III: NORMALITY TESTS	95
APPENDIX IV: DATA COLLECTION LETTER	96

DEDICATION

I dedicate this master dissertation to my nuclear family whose moral support and encouragement has made me realize this great academic milestone.

LIST OF TABLES

TABLE 1 Operationalization of the variables	37
TABLE 2 Target Population	39
TABLE 3 Response Rate	45
TABLE 4 Reliability Test	46
TABLE 5 Distribution of respondents by gender	47
TABLE 6 Education Level.....	48
TABLE 7 Respondents Work Experience	49
TABLE 8 Budget reforms	50
TABLE 9 Financial Reporting Reforms	52
TABLE 10 Fiscal Decentralization Reforms	55
TABLE 11 Public Procurement Reforms.....	58
TABLE 12 Public Expenditures	61
TABLE 13 Multicollinearity Test	63
TABLE 14 Pearson Correlation Analysis	64
TABLE 15 Model Summary	65
TABLE 16 Model of Fit (ANOVA Table)	66
TABLE 17 Regression Coefficients.....	67

LIST OF FIGURES

FIGURE 1 Conceptual Framework	36
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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
BPS	Budget Policy Statement
BVS	Book Value per Share
COB	Controller of Budget
EPS	Earnings Per Share
FY	Financial Year
GoK	Government of Kenya
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICPAK	Institute of Certified Public Accountants of Kenya
IFMIS	Intergrated Financial Management Information System
IFRS	International Financial Reporting Standards
MTEF	Medium Term Expenditure Framework
OAG	Office of the Auditor General
PBO	Parliamentary Budget Office
PEM	Public Expenditure Management
PERF	Public Expenditure Review Framework
PFM	Public Finance Management
VIF	Varinace Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Budget reforms involves financial plans requiring public participation on how revenue will be executed/utilized plus financial reviews based on outlook papers (ICPAK, 2016).

Budget execution encompasses timely submission of budgets, donor funding disbursements, timely approval of budgets, timely release of funds and community engagement in county expenditures (ICPAK, 2016).

Budget utilization involves fund disbursements criteria, mode of funding /financing deficits, budget priorities, approval mechanism, recurrent and development fund use (Parliamentary Budget Office, 2019).

Efficient Public expenditures encompasses allocated funds spent as intended, efficient utilization of county resources, efficient recurrent operations and maintenance, efficiency of development spending, efficient delivery of services and county's recurrent expenditure not exceeding county total revenue (Parliamentary Budget Office, 2019).

E-Government: This is the sharing of government information, maintaining government business relationships, and conducting government business transactions by means of information communications networks (Rahaman, 2010).

Fiscal Decentralization Transferring financial responsibilities to subnational Governments is called fiscal decentralization (Lao, 2013). As crucial as they are, some of the most important aspects of public finance have been left to the level of Government when devolution occurs. Under the control of the Central Government, all central Government money flows inside a fiscally decentralized state, while Governments that have been granted devolved power

manage everything related to devolved public finance with the purpose of better serving the people (Lao, 2013).

Financial reporting reforms Reforming financial reporting is essential for enhancing transparency and accountability. That is, fixing financial reporting makes changes to the documents mentioned above (balance sheets, cash flow statements, and equity stakeholder statements), which are public records of monetary operations and position (ICPAK, 2016). Transparency obligations around conflicts of interest and information asymmetries increase the demand for financial reporting, ensuring that public expenditures are conducted efficiently (Samani, 2015)).

Public procurement reforms are essential part of public finance management reforms that ensures there is value for money for the procured goods and services (National Treasury, 2018).

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Public spending reports in the majority of emerging and underdeveloped nations reveal significant financial mismanagement, resulting in poor value for money despite the implementation of financial reforms. To check public expenditure most Countries have witnessed the spectacular transformation of public financial management systems. A strong public financial management (PFM) system is an essential part of the institutional framework of an efficient government. Poverty reduction and economic progress are linked, and countries with good public financial management systems provide services more effectively while also being open and accountable (Lawson, 2015).

In the field of public financial management, occupations and methods such as macroeconomic forecasting, budget allocation, accounting quality, and auditing may be quite sophisticated. The intricacy of such systems makes it difficult for the public to check for corruption and invites it in. The danger of corruption ranges from one level of the budgeting process to the next, as well as from one procedure to another (Lawson, 2015).

Matthew and Marie (2014) asserted while the majority of corruption manifests itself in the form of illicit money transfers at the budget execution level, additional phases in the budget and procurement processes may present opportunities for corruption, resulting in exorbitant public expenditures that provide poor return on investment. Following the passage of the Kenyan Constitution, concerns of fiscal decentralization and public financial management are now at the forefront of policy reforms in Kenya.

The Public Financial Management Act of 2012 aims to increase openness and accountability in the management of public funds at both the National and County

levels. The Constitution lays out how the Country's resources will be shared between the National and County Governments, as well as establishing new institutions with a public financial mandate, such as the Commission on Revenue Allocation (CRA), the Office of the Controller of Budget (COB), and the Office of the Auditor General, among others, each with distinct functions aimed at improving efficiency in the public sector.

The need for reforms in Kenya's public financial management sector arose from previous challenges and gaps identified, which resulted in embezzlement of public funds, inequalities in resource redistribution across the Country, and centralized governance systems with insufficient checks and balances (National Treasury) (2018).

Kenya's PFM reforms were supposed to promote accountability and service delivery to residents by making public finance management more efficient, effective, participatory, and transparent (Society for International Development, 2018). Financial reports provide investors and other users with the information they need to make informed economic decisions.

Financial reports of high quality are essential for consumers who use them not only for investments but also for economic choices. When financial reports can represent the economic realities of the company in terms of relevance, dependability, comparability, and presentation in an easily understandable format, they are shown to be valuable (International Accounting Standards Board, 2015).

Furthermore, in Kenya, a lack of efficient internal control mechanisms is another sign that most County Governments' audit departments have failed. Internal controls are procedures that are meant to offer a reasonable level of confidence regarding a company's financial reporting accuracy, efficiency, and effectiveness, as well as non-compliance with

major financial management reforms (Chemeltorit, Namusonge & Wandera, 2016). Numerous financial reporting mistakes are indicators of a lack of sufficient internal controls. For example, according to the Office of Auditor General's FY 2016/2017 report, 24 Counties could not account for nearly KES 150 billion in expenditures, indicating a large moral hazard in County spending.

That is, despite current public financial management reforms, one of the most significant obstacles to ensuring accountability in County Governments has been the lack of accurate financial reporting. Good governance, openness, honesty, and accountability are listed as principles and ideals of public finance in Kenya's constitution (Article 201) (Mwenda, 2010). The importance of public accountability is to improve the integrity of those who hold public office and to ensure that public resources are used wisely.

Recent corruption accusations in Kenya County Governments, however, have raised concerns about the County's leadership and workers' commitment to accountability. According to the office of the Auditor General's reports, County Governments' financial control mechanisms are ineffective, resulting in the misappropriation of public monies. For example, the Busia County Assembly is accused of paying five contractors Kshs. 10.7 million for public awareness on a single law (Kibet, 2017).

1.1.1 Financial management reforms and Public Expenditure

Globally, In 1787, Great Britain adopted the practice of an annual National budget to steer public expenditures via budgeting reforms; the then-parliament passed the consolidated fund act, which established a single general fund for receiving and recording all revenue and spending. By 1822, the chancellor of the Exchequer had established the practice of delivering

a yearly budget statement to the account committee for appropriate exchequer review, and the audit act established an independent post audit. The federal budget system was established by the budget and accounting act of 1912 in the United States, while the French parliament controlled the specifics of allocation by 1831 (Siyanbola, 2013).

Most Governments in Latin America have implemented IPSASs (InternationaloPublicoSector Accounting Standards) to strengthen Governmentofinancialoreporting processes (Montesinos, Brusca, and Gomez Villegas, 2016). Similarly,othe UK Government has introduced financial reforms in Local Governments to enhance financial reporting and service delivery on occasion (Ferry & Eckersley, 2015).

In most developed Countries, many jurisdictions developed local financial reporting systems that were mostly rule-based. In 1973, IASC was formed and it began releasing IAS in the same year. Following a successful restructuring in 2001, its successor, IASB, devoted its resources towards instituting singleoset of superior quality globaloaccounting standards that could assure transparency as well as allow comparison in general purpose financial statements (IASB, 2015). These standards were to unify financial reporting on the international scene consequently increasing cross-border trade. These standards effectively came to be known as IFRS. To adopt financial reporting reforms, a vast majority of countries either require or have permitted use of IFRS, while others, particularly big economies, have set timelines for their adoption so as to account for expenditures.

In 2014, China's State Council authorized the Accrual Government Comprehensive Financial Reporting Reform Plan to keep tabs on government spending. The Ministry of Finance published a package of accounting and financial reporting guidelines as part of the plan's implementation, including Government Accounting Basic Standards,

Government Financial Reporting Regulations, General Budget Accounting Regulations, and public procurement as part of the financial reform instruments. The publishing of these texts signaled the beginning of China's significant transformation program towards PFM reforms (Gouhua) (2014).

PFM reforms have been a long-term process that does not function on a five-year timeline, in addition to checking public spending. New Zealand's changes were implemented in a drastic (big bang) manner. In contrast, most Organisation for Economic Cooperation and Development (OECD) nations' public sector and PFM reforms have been sluggish and steady, with periodic bursts of pace. Accounting and budget execution changes have taken a long time to implement, and much longer to obtain the intended benefits, even in industrialized countries like the United States (Wescott 2018).

Donors have been offering some support on PFM concerns in developing Nations since the mid-1950s. However, it was only lately that donors began to insist that reforms in public expenditure management be made in order to promote economic development. That is, when it comes to donor agencies giving general or sector budget help (whether multilateral or bilateral), one of the most important variables determining their readiness to do so is whether the partner Nation has a credible and meaningful PFM reform program (Wescott, 2018).

In Australia, for example, the Schools Electronic Catalogue Ordering (SECO) system was deployed in all New South Wales (NSW) schools to control public spending. Up to 1,500 NSW schools and 6,374 individuals were connected to the SECO system two years later, and since its establishment, up to 128,389 purchase orders have been issued electronically to classified merchants. The SECO system enhanced spending management in

NSW public schools, allowing them to save up to AU\$218 million in just two years (Jones, 2014).

On the regional front; According to Marginson and Sharma (2011), budgeting policies and processes may be unique to each institution in most African poor nations. They discuss the links and interdependencies between budgeting and strategy in day-to-day business activity. Many facets of the budgetary process, notably budget execution and budgetary management in general, appear to deviate from conventional wisdom as firms build strategic objectives based on budgetary data while still engaging in budgeting activities.

Budgets can be used to represent the performance of persons in charge of various parts of the business in these situations. Managers that understand the budgeting process must be fully involved in the budgeting process. Throughout the budget process, staff should be involved through training and the assignment of tasks and responsibilities. Budgets should, above all, offer statistics that reflect actual budgets under current operating expense conditions (The Institute of Working Future, 2011).

The World Bank (2019) called for public finance management changes in African countries to manage public spending. Strong Public Financial Management (PFM) systems, in other words, are necessary for enhanced service delivery, poverty reduction, and Millenium Development Goals (MDGs) attainment. Effective PFM systems, in other words, increase financial efficiency, promote transparency and accountability, and, in principle, contribute to long-term economic success. Budget preparation and implementation, budget oversight and control, taxation and debt management and procurement, as well as resource allocation and income distribution, are all activities that are increasingly seen as a

collection of interconnected subsystems (and organizational and political cultures) rather than a single activity.

Locally, County Governments in Kenya base their budgets on tax receipts, with a maximum of 5% deficit financing from outside sources. Budget utilization in Kenya is restricted to issues, as most budgeted funds are not used and are returned to the National Treasury, and Regulatory Frameworks make procurement processes cumbersome, causing procurement operations to exceed the time restrictions set for controlling budget deadlines. The spending inclusion is conditional on the Medium-Term Expenditure Framework (MTEF), which ensures that national plans and policies are compatible with public spending projects within a consistent medium-term macroeconomic and fiscal framework (ICPAK, 2015).

Magani (2018) investigated the impact of Kenyan City Counties' budget implementation improvements on public financial management. IFMIS Re-Engineering and fiscal decentralization were two of the topics covered in the PFMR investigations. As a result, the study's findings are critical for the National Government, the legislature, the National Treasury, county governments and their respective sectoral departments, the Commission for Revenue Allocation, the Office of Budget Control and County Chiefs, as it highlights important correlate of effective budget execution. The findings are also critical for the public. Mwangi (2011) aimed to find out how financial management changes affected the Ministry of Finance's financial operations. According to the findings, the Ministry of Finance has significantly strengthened commitment control and minimized the gap between budget provision and actual release amounts. The Ministry of Finance has made significant progress toward the PFM reforms, including the formation of a professional cadre, the creation of an accounting reporting system, and a review of the legislative and regulatory environment.

Apparently, the Ministry of Finance was able to create effective institutional arrangements, construct legislative and regulatory framework, enable competitiveness in tenders and support internal control and commitment control, according to the information revealed.

Public financial changes, according to ICPAK (2015), necessitate gradual consultations in order to make informed judgments and include relevant budget items. Poor outcomes and no utilization of money set aside for expenditures result from the numerous costing and impropriety found in the budgeting implementation. Public engagement and involvement of social economic groups in budgeting changes are necessary, as the Kenyan Constitution of 2010 mandates. This raises public knowledge and enhances Government performance as well as private-public relations.

Furthermore, it raises knowledge and comprehension of the usefulness of major government goals (s). The addition of social working groups gives additional external perspectives into the budgeting and usage processes, while ensuring that critical sectorial sectors are covered for financing to improve growth or promote global indicators. This also assists in obtaining deficit financing through aid or donor funding to certain sectors such as health and education; however, the utilization is scrutinized more closely than internal government checks and audits because it can be halted at any time if improprieties in expenditures are discovered (ICPAK, 2015).

The need for changes in Kenya's public financial management sector originated from past issues and inadequacies found, which resulted in misappropriation of public funds, imbalances in resource transfer across the country, and centralized governance structures with insufficient checks and balances. Kenya's public financial management reforms seek to

increase accountability and service delivery by making public financial management more efficient, effective, participatory, and transparent (ICPAK, 2019).

The Budget Policy Statement (BPS) is a policy document that sets out the broad strategic priorities and policy goals based on financial reforms that guide both National and County Governments in preparing their budgets for the financial year and over the medium term, according to the Parliamentary Budget Office (2019). The policies specified in different Government policy papers, such as Vision 2030, Medium Term Plans, Ministerial and Sectoral Strategic Plans, and the Big Four Agenda, should shape the strategic direction of the BPS.

The present status of the global and domestic economies, as well as the prognosis for key macroeconomic indicators, should be considered when developing a growth plan, revenue and spending projections for a given fiscal year. Both the National and County Governments must completely commit to keeping expenses low in this area.

This includes sticking to the Budget Policy Statement's spending limitations and not producing budget forecasts that show more spending than what was agreed upon at the BPS. Furthermore, total spending and net lending for FY 2019/2020 are expected to be KES 2, 710.8 billion, up from KES 2,514.4 billion in FY2018/19, according to the Parliamentary Budget Office (2019). Total spending was anticipated to be 23.9 percent of GDP in 2018/19, down from 25.1 percent in 2019/20.

Recurrent spending was expected to be KES 1, 663.3 billion, with capital spending at KES 670.7 billion. In comparison to the previous financial year, total ministry recurrent expenditure was expected to rise by KES 99.0 billion, while development spending was expected to fall by KES 26.0 billion. Despite signals in the BPS that the Government

intended to minimize recurring spending growth in order to improve fiscal consolidation, this remains the case.

It's worth mentioning that the yearly growth rate of the equitable share provided to Counties has been decreasing between FY 2013/14 and FY 2019/20, falling from 19.32 percent in FY 2014/15 to just under 4% in FY 2018/19. Despite the fact that yearly allocations have been growing in nominal terms, the equitable share has been devolved. The equitable share is determined using the National Assembly's most recent audited revenue reports. The approval of the audited financial statements has been slow, which has harmed Counties that have reported inadequate public spending (Parliamentary Budget Office, 2019).

1.1.2 Kenya's Public expenditure

Kenya's total budget imbalance has expanded in recent years as a result of increased spending and income shortages. The entire budget deficit was 8.1 percent of GDP on average before devolution. The deficit grew from 6.1 percent of GDP in FY2013/14 to 8.8 percent in FY2016/17 before narrowing to 6.3 percent in FY2017/18. Net domestic borrowing accounted for at least 45.2 percent of the deficit, while net external borrowing accounted for 46.4 percent, with the rest coming from other sources. The result is that if Kenya's reliance on net foreign financing sources grows, it will be harder to contain expanding state spending (The National treasury, 2018).

The total budget deficit reduced for the second year, reflecting the Government's recent commitment to fiscal austerity. The entire fiscal deficit (including grants) was lowered to 6.8% of GDP in FY2017/18, down from 8.8% in FY2016/17, exceeding the goal budget deficit of (7.2%) percent of GDP, and was expected to be further decreased to 6.3

percent in FY2018/19. Despite progress in consolidation, Kenya's fiscal deficit is higher than its EAC peers due to Governmental financial management reforms (World Bank, 2019).

1.2 Statement of the Problem

Kenya has a large gap between its yearly budget and actual spending. There is little consistency in the timing of budget announcements, and payments are sometimes a month or more behind schedule. The control of cash and commitments is still lacking. Slow processes, confusing directives, a lack of openness, and inefficient purchase define procurement systems. Manual and parallel systems, which are still widely utilized, make it difficult to meet reporting requirements such as format and timeliness. The goal of public financial reform was to close the gap between revenue collections and expenditures, which led to the creation of supplemental budgets, reallocations of line budgets, and estimations for mini-budgets (Wanyoike, 2015). PFM Act of 2012 aims to ensure that public finances are managed in accordance with constitutional principles at both the national and county levels of government, as well as to hold public officers responsible for managing these finances accountable to citizens through the National Assembly and County Assemblies.

According to the Kenyan Country Programme 2016-2020, the Public Finance Management Reform (PFMR) strategy is structured around the following themes: resource mobilization, resource allocation, budget execution, accounting, financial reporting and review, independent audit and oversight, fiscal decentralization and intergovernmental fiscal relations, legal and institutional reform, and independent audit and oversight.

The Kenya Revenue Authority, the Office of the Auditor General, and numerous Treasury agencies are among the PFM stakeholders who are responsible for implementation.

The PFMR Secretariat oversees and directs the reform to guarantee that both the National and County Governments are accountable for their spending.

According to the National Treasury reports (2018), the need for reforms in Kenya's public financial management sector arose from previous challenges and gaps identified that led to embezzlement of public funds through financial and procurement frauds, resulting in inequalities in resource redistribution Nationally and devolved governance systems with insufficient checks and balances.

Devolution audit reports from the first several years suggest many fraud, insufficient accountability and public money misuse cases are intriguing (National Treasury reports 2018). To make matters worse, most counties' socioeconomic status doesn't match the entire planned money spent on development projects, as reported in Office of Auditor General Reports (2018). This is because counties have restricted spending ability.

Furthermore, PwC's Consolidated County Governments Expenditure Reports (2018) for the Financial Year 2016/2017 show a significant problem with County Governments' public expenditures because of the high percentage variance in certain items such as finance costs, including loan interest (254%), social security benefits (189%), subsidies (175%), and asset acquisition (111%).

In relation to the County Governments in the Western Region of Kenya , the Auditor General's report, 2018 showed that County Government of Kakamega, Busia, Vihiga and Bungoma were unable to account for over Kshs 1.5 billion raising concerns over mismatch between County budgets and County public expenditures thus generally implying that a weak PFM system means that scarce resources are wasted through poor allocations and inefficient public expenditure management (The National Treasury report, 2018).

Due to a plethora of instances of poor public expenditure in Kenya's devolved Government units despite the existence of public financial management regulations, the motivation for this study was to investigate the impact of financial management reform on public expenditure in the County Governments of the Western Region of Kenya.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The general objective of this study is to examine the influence of public financial management reforms on public expenditures in the County Governments of the Western Region of Kenya.

1.3.2 Specific Objectives

1. To assess the influence of budget reforms on public expenditures in the County Governments of the Western Region of Kenya.
2. To examine the influence of financial reporting reforms on public expenditures in the County Governments of the Western Region of Kenya.
3. To evaluate the influence of fiscal decentralization reforms on public expenditures in the County Governments of the Western Region of Kenya.
4. To assess the influence of public procurement reforms on public expenditures in the County Governments of the Western Region of Kenya.

1.4 Study Hypotheses

H₀₁: There is no significant relationship between budget reforms and public expenditures in the County Governments of the Western Region of Kenya.

H02: There is no significant relationship between financial reporting reforms and public expenditures in the County Governments of the Western Region of Kenya.

H03: There is no significant relationship between fiscal decentralization and public expenditures in the County Governments of the Western Region of Kenya.

H04: There is no significant relationship between public procurement reforms and public expenditures in the County Governments of the Western Region of Kenya.

1.6 Significance of the Study

The findings of this study are expected to benefit various groups such as County Governments, Government policy makers and Researchers and future scholars.

1.6.1 County Governments

The study's findings would also be used to assist County Government decision-makers, particularly at the management level, in developing or amending financial policies that would increase the efficiency and effectiveness of public financial reforms in order to improve County expenditures.

1.6.2 Government policy makers

This study would thus be useful to the policy makers to formulate significant public financial management policies that guide efficient public expenditures in County Governments.

1.6.3 Researchers and Future Scholars

As indicated by the information gap in prior studies, research on public spending is limited. As a consequence, this research would pave the way for future research on the subject and a deeper knowledge of the subject. Scholars would be able to criticize this study and identify additional research gaps that should be addressed in future studies.

1.7 Scope of the Study

The study was done in the County Governments of the former western province of Kenya that is; Kakamega County Government, Vihiga County Government, Busia County Government and Bungoma County Government, covering the influence of; budget reforms, financial reporting reforms, fiscal decentralization reforms and public procurement reforms on public expenditures in the County Governments of the Western Region of Kenya . The study captured both primary and secondary data which is intended to be collected in the month of September 2021.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This includes the study's guiding ideas, a conceptual evaluation of study variables, an empirical evaluation and criticism of relevant literature, a summary of the reviewed material, and research gaps. The chapter's topics have been guided by a topical approach.

2.2 Theoretical Framework

2.2.1 Resource Allocation Theory

Peteraf and Burney (2003) proposed this theory, which is concerned with how Governments, corporations, entrepreneurs, or individuals divide financial resources through the budgeting process in order to meet financial objectives. Priceless, scarce, imperfectly imitable, and non-substitutable qualities are required for a corporate economic resource to attain competitive advantage. This necessitates budgetary management mechanisms in Government entities to distribute finite financial resources.

In an organization adopting the invincible hand theory, the economic idea of resource allocation is an essential field of research. Individuals and corporations allocate resources according to the invisible hand idea through competition, supply and demand (Peteraf, 2003). In order to accomplish pre-determined financial objectives, corporate allocates financial resources through budgeting. As a result, resources allocation theory is relevant to this research since it aids County Governments in distributing financial resources at their disposal through a budgetary management system based on pre-determined public financial reforms.

2.2.2 Theory of Budgeting

Hirst introduced the theory of budgeting in 1987, and it describes how developing an efficient budgeting system of control addresses an organization's requirement to plan and analyze how to address future prospective spending risks and possibilities. Budgets are seen as the central component of an effective control process and, as a result, a critical component of the overarching idea of effective budgetary control (Nyambura, 2014).

Budgeting theory, like most of public finance administration, has been divided into two categories: descriptive and normative. As a result, budgeting theory serves as a detector of discrepancies between an organization's budget and spending. Budget theorists also characterize patterns, sequences of occurrences, and deduce causes, taking into account both local differences and uniformities across a variety of spending instances. Normative theory guidance is based on a far smaller set of data than descriptive theory, and its offered solutions are often based on values rather than data.

The gap between theory and practice may become intolerable if descriptive theory's explanatory capacity is insufficient, or if normative theory's guidance is not followed by public officials or is followed and abandoned because it does not work (Siyabola, 2013). Budget theorists argue that public budgeting is an essential component of a democratic Government. Public budgeting is the political and technical process of matching and distributing monetary resources to individual and program demands, such as taxes, fees for service, debt instruments, and monies from other levels of government.

The process of public budgeting serves a variety of fiscal, administrative, financial, and governance goals. The venue or process through which stakeholders debate conflicting agendas, views, and ideas on the public good or the common good is known as public

budgeting. In the public budgeting process, budget players or stakeholders may play many roles. Citizens, for example, fill the roles of voters, taxpayers, and clients. Because public budgeting happens at all levels of Government, including National, state, and local levels, democratic Governments and society have many role expectations (Lawson, 2015).

This theory therefore connects this study in the sense that budgeting reforms involves budget allocations, budget executions depending on public expenditures.

2.2.3 Agency Theory

The agency relationship, according to Jensen and Meckling (1976), is defined as a scenario in which a principal chooses an agent to execute services on their behalf and transfer decision-making authority to the latter. The theory's underlying concept is that people charged with representing others should eventually devote company resources to maximizing value for those they serve. When making corporate decisions, the agents are obliged to conduct due attention and care to ensure that the principal's interests are protected.

According to this idea, an agency problem can result from an agency connection when the agent and the principal have a conflict of interest. This conflict arises when the agent adopts decisions and policies for his or her own advantage without considering the impact on the principal's interests (Jensen and Meckling, 1976). Moral hazard arises when agents perform activities that benefit their own interests but are unobservable and harmful to the principal. When there is asymmetric information, the difficulty arises when one party, usually the agent, has more information than the principal (Kaufman and Kraay, 2008).

The public and voters are considered the principals in this study, whilst politicians, Government officials, and policymakers are considered the agents. Kenyan people pick leaders and politicians, place them in positions of power, and transfer decision-

making authority to them, including choices on budgeting and fiscal decentralization. These leaders are supposed to make choices and establish policies aimed at increasing residents' wealth and ensuring effective Government spending.

To support agency theory, Kaufman and Kraay (2008) argued that the Government must demonstrate efficacy, efficiency, openness, accountability, and discipline as important features of excellent public finance control and public spending in order to demonstrate the worth of its citizens. In Kenya, voters elect County Assembly Members to serve as agents of development in their respective Counties. Members of the County Assembly play a part in the public financial management process by enacting financial legislation that directs County public spending. Further, County executives as agents of fiscal decentralization have decision making power and authority over County public finance, thus must ensure efficient public expenditures in the county.

2.2.4 Fiscal Decentralization Theory

Richard Musgrave proposed this hypothesis in the mid-nineteenth century (Rondinelli, 1981). According to the view, fiscal decentralization is a necessary component of public governance changes. It requires decentralizing power, responsibility, and accountability for the administration of public resources and expenditures to cost centers and communities on the periphery. According to the idea, within the context of a bottom-up approach to development planning, decentralization of expenditure management to peripheral cost centers and communities is unavoidable. The ultimate objective is to attain efficiency, effectiveness, justice, and democracy, which are all things that a centralized system may make difficult.

Decentralizing spending management, according to the idea, is likely to promote equitable distribution of National resources and regional economic growth by infusing public

money into peripheral economies (Rondinelli, 1981). The theory also suggests that when communities around cost centers participate in partial funding, administration, and monitoring of spending patterns, spending efficiency would likely increase (Winkler, 2009) decentralization of spending management put power, responsibility, and accountability in the hands of County chief executives in Kenya's devolved Governments. Despite the fact that County Governments now have power, duty, and accountability for public spending management, a lack of a comprehensive implementation framework impedes spending efficiency, resulting in waste of public funds.

2.2.5. Public Expenditure Management Model

There has been a paradigm change away from conventional budgeting's due process approach in recent years, and Schick (2008) has created an authorized World Bank public expenditure management model that stresses integrating spending with quantifiable outputs and results in a wider arena.

All aspects of the Public Expenditure Management (PEM) Model are included in the budget rules, incentives, outputs/outcomes, transparency/accountability, and decentralized responsibility. Proponents of the system argue that to improve public spending management, budgeting institutions, spenders' and controllers' obligations, the rules that govern how they claim and use resources, and the information available to them must all be adjusted.

The public expenditure management (PEM) model, which was adopted by the World Bank, moved from a concentration on investment efficiency to a broader awareness of institutions and governance strengthening. The PEM method, which was developed in the late 1990s and dubbed "the current approach to budgeting" at the time, is more of a method of looking at public spending management in terms of service delivery and value for money.

It emphasizes the need of understanding the financial management game's rules, which govern budget design and implementation, as well as how institutions impact decision-making and the accomplishment of efficiency in government spending (World Bank 2019).

2.3 Empirical Review

2.3.1 Budgeting Reforms and Public Expenditure

One of the world's largest and most authoritative organizations on good Government and financial management, the Organization for Economic Cooperation and Development (OECD) maintains that all components of a working budgeting reform system, from effective and politically anchored mechanisms to decide on and fund priorities to effective cash management and allocation to successful accounting, must all work properly. Technical budget credibility as well as an effective link between policy and budgeting are fundamental in budget reform in Africa.

A close connection exists between the intended and allowed budget and actual service delivery. Although the advancement of budget-to-service delivery connections, such as multi-dimensional budget categorization systems, is influenced by funding strategy, it is also impacted by underlying public service management norms (OECD, 2016).

Kluvers (2001) conducted a review of budgeting changes in Victoria, Australia, and found that budget allocation indicators, if applied, offered helpful information for guiding public spending. However, the fact that only a small percentage of municipalities reported actually adopting important budget allocation metrics specified in the budgeting reforms tempers this findings. Kluvers (2001) went on to say that finance managers largely used the budget allocation changes to promote a new mindset toward planning, which might affect expenditures over time.

Using a series of anonymous interviews, Hou, Lunsford, Sides, and Jones (2011) investigated differences in budget distribution methods in 11 sample states across time. They came to the conclusion that the financial allocation had not been properly utilized and that just a portion of the design goal had been met. They also came to the conclusion that governments used budget allocation reform to manage their spending far more during economic upturns than during downturns.

Audeh (2014) conducted a research to identify roadblocks to Greater Irbid Municipality budget preparation and implementation. The findings of the study revealed that there is a link between a lack of perception and awareness of budget reforms and unrealistic budget estimates and subsequent public expenditures, necessitating the need for this study to determine the relationship between budget reforms and public expenditures.

According to Adongo (2013), Kenya has implemented a variety of budgetary changes since independence, with the goal of maximizing the benefits accruable from expenditures through public sector budget changes. These modifications are being forced because of a perceived lack of performance as compared to the budget's goals. Despite these efforts to alter Kenya's budgeting process, it remains an insufficient tool for attaining public policy objectives. Indeed, the disparity between county expenditures and income is unceasing, resulting in mini-budgets, reallocations of budget lines, and additional budgetary forecasts, raising doubts about the effectiveness of budgeting reforms (Rotich 2015).

Nkanata (2012) conducted research on the elements that influence how Kenyan accounting officers use Government budget allocations. A descriptive survey design was used in this investigation. The 42 Government Ministries made up the study's population. A total of 70 people responded to the survey thanks to the sample design. The study discovered that

regulations and processes have an impact on how budget allocations are used. The legal and institutional structure is in need of reform, with the executive exploiting legislative provisions to increase budget flexibility, while the legislature was found to have the capacity to restrict how budget allocations are used. The difficulties in connecting budget allocations to policy provide a conduit for unethical actions such as excessive government spending.

Samira (2018) investigated the Kwale County government's budgeting process improvements and expenditures. The study used a descriptive survey design, and a census of the county's 13 departments was conducted using a structured questionnaire to collect data from County Executive Committee members and Chief Officers of the respective departments. A review of financial documents obtained from the department of finance and economic planning provided secondary data on the county's financial performance. The internal consistency of the questionnaire items was measured using Cronbach's alpha, yielding a reliability index of 0.985. According to the findings of the survey, a large majority of respondents felt that the budgeting process has an influence on the County's financial success. Despite the irregular pattern in financial performance from 2014/2015 to 2017/2018, a substantial majority of respondents (77 percent or 20; $X^2(3) = 10.615, p = 0.014$) observed improved financial expenditures, which they ascribed to better budgeting process improvements at the County.

Financial capability was found to be crucial for determining expenditures by the County Government in Isaboke and Kwasira's (2016) study on the implications of budgeting process improvements on financial performance. Respondents expressed a favourable attitude toward parts of financial changes, and correlation analysis revealed a strong positive significant association between budgeting changes and the County Government's financial performance (as assessed by efficiency in spending). The study proposed that county

governments improve their budgeting process improvements to assist them manage their public spending more efficiently.

Wakhungu (2014) used a descriptive survey study design with a sample of 30 out of 168 commercial state-owned firms in Kenya to investigate the effects of public finance management reforms on financial performance of commercial state-owned firms. The study used both primary and secondary data to show that the legitimacy of budget changes has a significant impact on state-owned commercial firms' financial spending.

Despite the assertion that budgeting reforms help County Governments estimate their revenue and expenditure in their financial year, Zipporah (2017) study on budget reports in County Governments concluded that County Governments face challenges while implementing their budget, such as noncompliance with budgetary timeliness as per PFM Act 2012, County Governments face challenges while implementing their budget.

2.3.2 Financial Reporting Reforms and Public Expenditure

According to Ijeoma (2014), the implementation of International Public Sector Accounting Standards (IPSAS) improved the credibility, integrity, and dependability of the Nigerian government's financial reporting. In addition, the study discovered that IPSAS allowed efficient internal control in Nigeria's public sector, as well as a result-oriented financial framework, resulting in improved service delivery.

The accounting and financial reporting processes in Kenya's Counties are governed by Article 226 of the Kenyan Constitution, which requires parliament to pass legislation to guide the processes. The Public Finance Management Act of 2012, as amended by the Public Finance Management County Government Regulations of 2015, requires all 47 Kenyan Counties to publish all information related to the county's budgeting cycle, from

formulation to approval to implementation and auditing of County Government expenditures (Were, 2017).

For example, according to the Auditor General's report, the County Governments were unable to account for approximately Kshs 1.5 billion in public expenditures (Auditor General, 2018), raising doubt on the adoption of effective financial reporting reforms in counties. As a result, financial reporting functions at Kenyan county governments are a legal requirement to produce financial statements from accounting data for use by oversight bodies such as the National Treasury (NT), County Assembly, Office of Controller of Budgets (OCOB), Commission for Revenue Allocation (CRA), Office of Auditor General (OAG), donors, and public institutions' finance departments.

Abata (2015) conducted research on financial reporting methods in Nigerian corporate entities. Data was obtained via a standardized questionnaire from 50 KPMG employees and evaluated using mean scores, standard deviation, and Pearson Chi-square analysis. He discovered that IFRS provided better information for regulators (mean=4.72), and that financial reports created under IFRS improved best practices in business organizations (Pearson Chi-square analysis =37.857). Further, the findings showed a Chi-square of 75.763 indicating cross-border compliance with IFRS thus improved expenditures by the companies.

Mensah (2013) also examined financial reporting reforms with adoption of IFRS in Ghana and quality of financial statement disclosures. The population of the study consisted of listed companies in Ghana between the periods 2006 and 2008. The study adopted descriptive method and regression analysis showed a disclosure of 87.09% in the post-adoption period compared to 76.8% in the pre-adoption period. The study concluded that

adoption of IFRS generally reinforce accounting disclosure quality that match company expenditures.

Ramanna and Sletten (2017) carried out a study on why countries adopted financial reporting reforms as stipulated by the International Financial Reporting Standards. They studied variations in decisions to adopt IFRS. Using a stratified random sampling method 102, non-EU countries were picked from Deloitte's IASplus.com website. Chi-square was used to analyze data yielding a p-value of 0.053. The study findings show that more economically developed countries are more likely to adopt IFRS. Based on study findings, they concluded that the possibility of IFRS adoption by any given country is directly proportional to IFRS users within its geographical region and with IFRS adoption; company expenditures can be well monitored.

Hope, Justin and Kang (2016) examined empirical evidence on jurisdictions on adoption of finance reporting reforms in developed countries. They used sample of 38 countries and employed quality of financial reporting index to determine transparency of accounting information and financial reporting approach. The results of the findings showed a negative financial reporting index co-efficient which was marginally profound with a t-statistic of -1.95, and a negative correlation between adoption of IFRS and investor protection. The study recommended use of quality financial reporting standards to check public expenditures and attract investors.

Gaitho (2018) investigated the financial reporting and auditing of expenditures in Kenya's county governments. Since the County Governments became operative in 2013, the investigation discovered poor financial reporting, as reported by the Auditor General. The Counties were found to have kept incomplete financial records that did not represent their

genuine financial status and expenditures. To guarantee appropriate implementation of financial reporting reforms in the Counties, the researcher advised that County leadership recruit skilled finance and accounting professionals.

Kipchoge (2015) studied effects of corporate attributes on international financial reporting standards disclosure levels, evidence from Kenyan listed firms. The study employed a descriptive research design and made an observation of a sample of 30 firms using secondary data. The findings revealed positive significant relationship between liquidity and disclosure level with $\beta_3 = 0.145$, $p < 0.022$. The study concluded there is a considerable degree of relationship between liquidity, IFRS disclosure and firm expenditures.

Kingwara (2015) also studied the effects of IFRS adoption on financial reporting quality in Kenya. The sample population consisted of all companies in the list of Nairobi Securities Exchange between the periods 1994-2003. Research methods used included co-efficient for interactive terms of BVPS and EPS of 1.022(t-statistic15.351) and 3.48(t-statistic=14.355) pre-adoption and (t-statistic=1.161) and .0559(t-statistic=1.71) post-adoption respectively. The study indicated that the value relevance for reported earnings was incrementally higher for listed companies during the post-adoption period. However, the study did not link financial reporting quality and public expenditures, a gap that will be filled by this study.

2.3.3 Fiscal Decentralization Reforms and Public Expenditure

Using panel data techniques, Samadi et al. (2013) investigated fiscal decentralization in medical universities and provincial revenues in Iranian provinces from 2007 to 2010, establishing cross-sectional dependence among the analyzed variables. The data indicate that

fiscal decentralization in the health sector had a detrimental influence on death rates. It also revealed a negative link between fiscal decentralization and public expenditures on physicians and hospital beds, but a favorable link between urbanization and unemployment. The study warned against using fiscal decentralization on development projects because it may provide a loophole for budget deficits caused by wasteful government spending.

Martinez, Lago, and Saachi (2015) investigated the accurate assessment of fiscal decentralization as well as the potential endogeneity of fiscal decentralization. Using a survey method, the study looked at the influence of fiscal decentralization policies on expenditures in political institutions. The findings of the study show a lot of confidence about the viability of decentralized fiscal systems, as has been documented in many regions of the globe, particularly when fiscal decentralization is effectively conceived and executed. However, the study focused on the effects of fiscal decentralization on the economy as a whole, rather than relating it to public spending, which is a gap that this study will solve.

According to a research by Boetti, Piacenza, and Turati (2014) tying fiscal autonomy to Local Government expenditure efficiency in Italy, economies throughout the globe are implementing financial reforms to strengthen fiscal autonomy of the lower tiers of government. The study examined the effect of tax decentralization, as defined by the degree of fiscal autonomy, in paying the expenses of delivering vital public services, using a sample of 262 Italian towns in the Turin area. The findings demonstrated that autonomous municipalities with a larger percentage of current expenditures supported by own taxes had less inefficient behavior, using non-parametric and parametric methodologies to analyze efficiency performances.

According to the study, the tightness of budget constraints imposed by particular fiscal discipline regulations improves expenditure efficiency, necessitating the necessity for tax decentralization as part of fiscal decentralization. Elhiraika (2013) used provincial level data from South Africa to investigate how fiscal decentralization and public service delivery are related in South Africa.

The research looked at how fiscal decentralization affects basic service delivery, with an emphasis on own-source revenue because South Africa has a high degree of fiscal decentralization in terms of expenditure obligations and administration. Despite the fact that sub-national Government spending in South Africa is focused on equality and redistribution, the study found that large gaps exist across provinces in terms of per capita revenue and per capita expenditure on health and education.

Neyapti (2015) used panel data approaches and inferential statistics to investigate the link between fiscal decentralization and budget deficits in Turkey, finding that fiscal decentralization has a substantial negative connection with budget deficits. This is in line with the findings of a research conducted in Indonesia by Kis-Katos and Sjahrir (2014), which looked at the impacts of Indonesia's decentralization and democratization process on budget distribution at the subnational level.

Furthermore, the study found that the size of the county had a substantial impact on the relationship's ability to reduce financial deficits. The study also revealed compelling evidence that revenue decentralization has a negative impact on budget deficits only when effective governance is in place. However, the conclusions of the study warn against making quick policy suggestions for greater fiscal decentralization, since this might have a detrimental impact on public spending owing to budget deficits.

2.3.4 Public Procurement Reforms and Public Expenditure

Public procurement is a vital part of the fiscal framework of both the National Government and the devolved unit of governance, according to Commonwealth Secretariat (2018) recommendations on financial management reforms, since it has been found as a major route of financial fraud. That is, a centralized procurement authority should be established to oversee the implementation of a Government-wide procurement system that is both efficient and effective. Procurement choices based on these criteria should be delegated to the authorities responsible for funding the procurement function, such as line ministries and devolved units.

In this regard, public procurement guidelines must be established that are consistent with the principles of transparency, fairness, openness, and value for money; sanctions for non-compliance with regulations must be implemented; and tender processes should be closely scrutinized and accountable to avoid bloated expenditures (Commonwealth Secretariat, 2018).

According to the National Treasury reports (2018), public procurement is the primary method by which the government spends public funds, placing it at the heart of expenditure management and national development. A large portion of government money is pumped into the economy through public procurement, which in turn provides job opportunities and raises per capita income; hence, public finance management changes must be adequately stated.

Furthermore, according to KIPPRA (2016), contestable public procurement accounts for over 35% of total public expenditure, making it the single largest item of public spending, ahead of salaries and wages, which is why public procurement reform has been incorporated into the National Treasury's public financial management reforms.

Currently, to qualify procurement reforms as one of the fundamental aspect of public financial management reforms the National Treasury (2020) has drafted the development of the National Supply Chain Management Professional Framework. This sets out the platform for identification and application of knowledge, skills, attitudes and values and competencies which procurement and supply chain professionals should demonstrate in delivering highly efficient, professional and ethical supply chain management operations that should deliver value for money. This effort is over and above the enactment and operationalization of the Public Procurement Asset and Disposal Act, 2015 (PPADA, 2015) and its regulations, 2020.

Empirical studies in the United Kingdom (UK) revealed that public procurement has experienced and continues to undergo a variety of changes aimed at improving efficiency and long-term use of public funds, though with variable expenditure consequences (Perry, 2014). Procurement changes in England gave public schools a lot of power over how they spent their money, what services they bought, and how they bought them. The changes resulted in the implementation of electronic procurement, which increased the number of options for high-quality products and services while also allowing public schools to save up to £1 billion a year (Perry, 2014).

According to Canadian studies, the transition to Electronic procurement was motivated by the need to reduce cost of access for suppliers, advertising offers and the distribution of tender papers, improve accessibility of public tendering options, improve quota competitiveness and improve commerce among vendors and public procurement bodies like schools.

Once all tenders, including advertising, tender filing, approval and contracting, are handled online, 80% of public schools reported a large reduction in their procurements budgets (Financial Management Institute & Price Waterhouse Coopers, 2015).

The Electronic Catalog Ordering (SECO) system has been implemented by all New South Wales (NSW) colleges. SECO has now been created with up to 1,500 NSW schools and 6,374 users and electronically transmitted to listed merchants by up to 128,389 purchase orders. The technology of SECO contributed in just two years to save NSW public schools up to 218 million AU\$ (Jones, 2014).

The reform effort began in 1996 in order to change a paper-based procurement system into an e-contracting system to increase openness and efficiency, the studies done in South Korea indicated. The e-procurement system of Government has been utilized for procurement by most governmental agencies. Because the internet system improves efficiency in school procurement procedures, eliminating paperwork, price inflation and collaboration between certain offeror companies and procurement employees, all transactions were online to make them easily accessible for all parties (Chang, 2014).

Single sourcing, tender splitting, induced emergency procurement, price inflation, and lack of transparency were all addressed by procurement reforms in Nigerian public secondary schools, according to studies (Musa, Success & Nwaorgu, 2014). The changes improved efficiency and budgetary discipline in Government institutions, allowing them to save up to 1.4 billion dollars each year.

Despite this, the implementation of the reforms was hampered by a lack of adequate technical skills within tender committees, restricted training opportunities, political influence

over the tender award process, and delayed auditing of school financial statements (Musa, Success & Nwaorgu, 2014).

Kibinu, Odundo, and Nyagah (2018) investigated components of procurement reforms in Kenyan public secondary schools that impact spending management. The research concentrated on one facet of financial reforms: the frequency of emergency procurement. Primary data was collected in 2015 from 35 public secondary schools using the evaluation research model III. Cross-tabulation, analysis of variance, chi-square statistic, correlation coefficient, and multiple regression were all used in the quantitative study.

Approximately two-thirds of the schools had prepared procurement strategies, as required by law and policy regulations, whereas the remaining two-thirds used emergency procurement just 'occasionally.' Furthermore, the frequency of emergency procurement was found to be significantly correlated with variation in procurement expenditure, as well as causing a significant increase in procurement expenditure (beta weight = 0.457, t statistic = 3.240, and -value = 0.003), implying a negative impact on expenditure management.

2.4 Summary of Literature Review

There is inconsistency in existing reviewed literature about the relationship between financial management reforms and public expenditure. That is, one stream of researchers reports on mere adoption of selected financial management reforms in private organizations, while another stream of researchers merely articulates their findings based on one parameter of public financial management reform.

More so, evidence from reviewed literature indicate that most researchers have not really linked public financial management reforms with public expenditures since a number

of reviewed researches just emphasize on the need to adopt selected or general financial management reforms in private organizations with few focusing on how public expenditures in public organizations can be tackled with effective implementation of public financial management reforms. This study therefore examines influence of public financial management reforms on public expenditures in the County Governments in the Western Region of Kenya.

2.5 Research Gaps

Reforms in financial management and public spending are the subject of study, however the results are inconsistent, and some studies fail to make the connection between financial management reform adoption and public spending.

Kluvers (2001), Hou, Lunsford, Sides, and Jones (2011), and Nkanata (2012), for example, conducted research on budgeting changes without making any connection between these reforms and public spending. While the findings of the Mensah (2013), Hope, Justin, and Kang (2016), Ramanna and Sletten (2017) studies did not link financial reporting with public expenditures, the findings of the Samadi et al. (2013) study cautioned against the implementation of fiscal decentralization on development projects because it could provide a loophole for budget deficits arising from inefficient public expenditures; and the findings of the Kis-Katos and Sjahrir (2014) study cautioned against immediate.

Further, Musa, Success and Nwaorgu (2014) study found that effectiveness of the public procurement reform process was undermined by shortage of competent technical skills among tender committees, limited training opportunities, political influence on tender award process, as well as delayed auditing of financial accounts, thus not helping in checking public expenditures.

Neyapti (2015) used panel data approaches and inferential statistics to investigate the link between fiscal decentralization and budget deficits in Turkey, finding that fiscal decentralization has a substantial negative connection with budget deficits. The current study will not use the panel data but rather a questionnaire as a methodological gap.

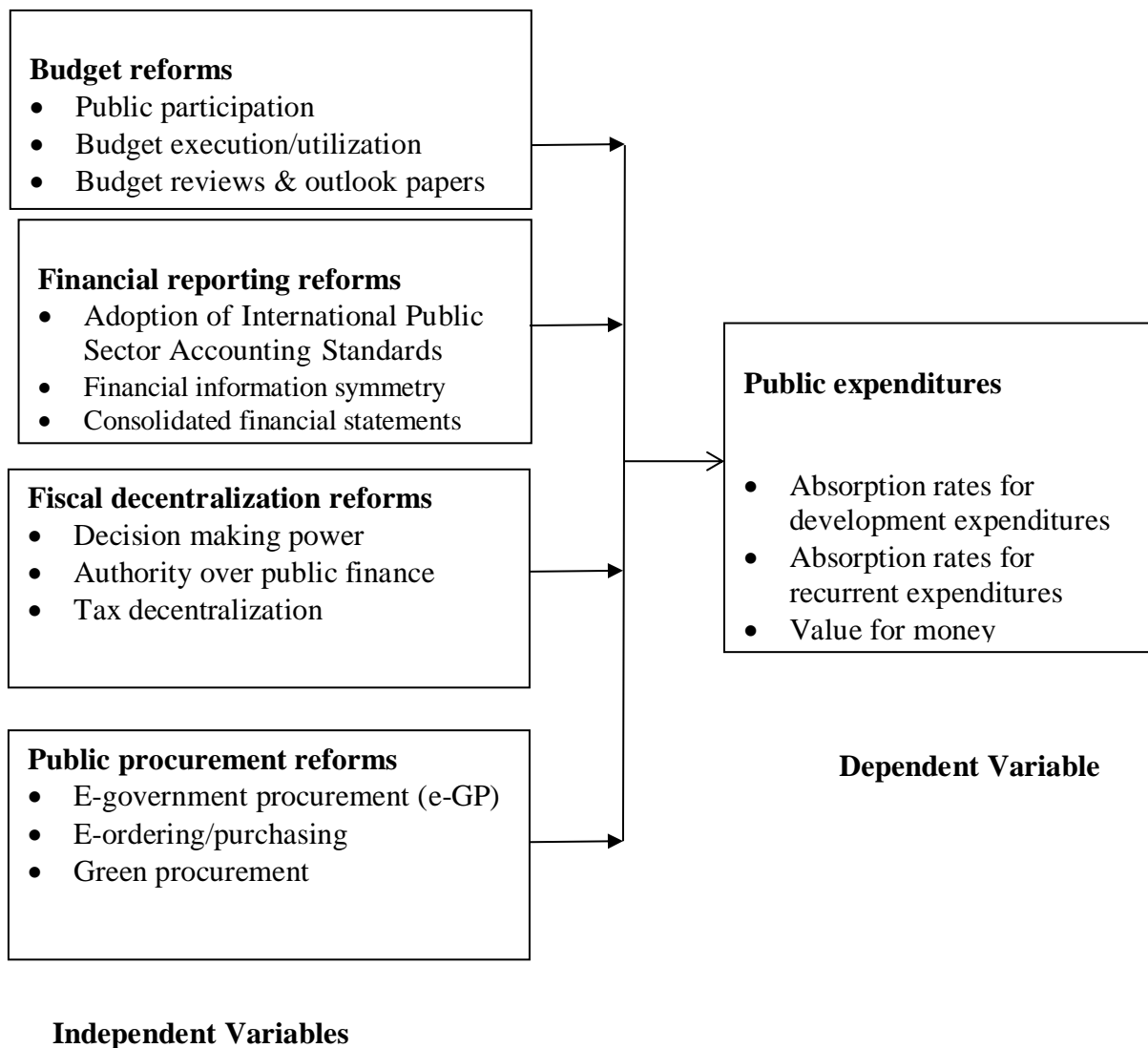
Kingwara (2015) studied the effects of IFRS adoption on financial reporting quality in Kenya. The sample population consisted of all companies in the list of Nairobi Securities Exchange between the periods 1994-2003. Research methods used included co-efficient for interactive terms of BVPS and EPS of 1.022(t-statistic=15.351) and 3.48(t-statistic=14.355) pre-adoption and (t-statistic=1.161) and .0559(t-statistic=1.71) post-adoption respectively. The study did not link financial reporting quality and public expenditures, a gap that will be filled by this study.

In Kenya, there are scanty empirical studies that link public financial management reforms and public expenditures (Angokho et al., (2014) especially in County Governments where misappropriation of public funds seems the order of the day as severally reported by The Office of Auditor General. This study therefore endeavors to fill this gap by examining influence of public financial management reforms on public expenditures in the County Government of the Western Region of Kenya .

2.6 Conceptual Framework

A conceptual framework is a visual representation of the direct relationships between independent variables (budget reforms, financial reporting reforms, fiscal decentralization, public procurement reforms) and dependent variable (public expenditure) in a diagram form as illustrated in figure 1.

FIGURE 1 Conceptual Framework



Source: Researcher (2021)

TABLE 1 Operationalization of the variables

Variable Type	Variable	Indicators	Measurement scale	Section in Questionnaire
Independent	Budget reforms	<ul style="list-style-type: none"> • Public participation • Budget execution/utilization • Budget reviews & outlook papers 	Interval/ Ordinal	Part B, 1
Independent	Financial reporting reforms	<ul style="list-style-type: none"> • Adoption of International Public Sector Accounting Standards • Financial information symmetry • Consolidated financial statements 	<ul style="list-style-type: none"> • Interval/ Ordinal 	<ul style="list-style-type: none"> • Part B, 2
Independent	Fiscal decentralization reforms	<ul style="list-style-type: none"> • Decision making power • Authority over public finance • Tax decentralization 	Interval/ Ordinal	Part B, 3
Independent	Public procurement reforms	<ul style="list-style-type: none"> • E-government procurement (e-GP) • E-ordering/purchasing • Green procurement 	Interval/ Ordinal	Part B, 4
Dependent	Public expenditures	<ul style="list-style-type: none"> • Absorption rates for recurrent expenditures • Absorption rates for development expenditures • Value for money 	Interval/ Ordinal	Part C

Source: Researcher (2021)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered study's research design, target population, sample size and sampling techniques, data collection instruments, data analysis and multiple regression model assumptions.

3.2 Research Design

A research design is a blueprint for generating solutions to a research challenge (Saunders et al. 2012). The survey was descriptive in nature. When the researcher wants to offer an accurate portrayal of people, events, or circumstances and draw conclusions about the target population, a descriptive survey is used to collect data that answers questions about the study participants (Saunders et al. 2012).

3.3 Target Population

A population element, according to Saunders et al. (2012), is the individual item on which measurement is done, whereas a target population is the entire collection of instances or objects from which an adequate sample is taken to research (Cooper & Schindler, 2014). The study targeted 65 chief Officers from the four county Governments. These employees have the desired information for this study, as summarized in table 2.

WESTERN REGION OF KENYA

TABLE 2 Target Population

No	County Government	No. of Chief Officers (Accounting Officers)
1	Kakamega	20
2	Vihiga	13
3	Bungoma	17
4	Busia	15
	TOTAL	65

Source: County Government of Kakamega, Vihiga, Busia and Bungoma personnel office (2020)

3.4 Sampling Frame

According to Cooper and Schindler (2014), a sampling frame is a set of items from which the sample is drawn and is closely related to the population. That is, the needed number of subjects, respondents, components, and companies are picked from the sampling frame in order to create a sample; hence, it is critical that the sampling frame is impartial, current, and accurate. The sampling frame in this study consisted of Chief Offices in the four counties of Western Region who are the accounting officers and therefore directly or indirectly deal with financial and public expenditures related matters.

3.5 Sample Size and Sampling Techniques

A sample size refers to set of observations drawn from a population by a defined procedure (Mugenda & Mugenda, 2003). The selection of a subset or subsets from an entire group or population in order to draw conclusions about the group or population as a whole (Kothari,

2006). A total of 65 respondents were used therefore, census sampling technique was adopted. In this case, census sampling was utilized since there were so few people in the target population to begin with. According to the authors, if the population is between one and one hundred, a sample of 100% should be used as a sample size.

3.6 Research Instrument

Respondents' primary data was obtained directly from them using self-administered structured questionnaires (closed ended questions). The type of the data to be gathered, as well as the respondent's and researcher's available time, all influence the instrument selection. It was also advantageous to use self-administered questionnaire because of confidentiality; time saving; low cost, easy access, and also the fact that the results are easily quantifiable (Cooper & Schindler 2014). The structured (close-ended) questionnaires on study variables had five-point Likert scale ranging from 1 to 5; where 1 is Strongly Disagree, whereas 5 is Strongly Agree.

3.7 Data Collection Procedure

The researcher obtained an introduction letter from KCA University, a researcher's introductory letter and a research permission letter from requisite offices from the County Governments of Kakamega , Vihiga, Busia and Bungoma administration to allow the researcher to collect data from Chief Officers. The survey was self-administered by delivering hard and soft copies to respondents and collecting or emailing them after they are fully completed.

3.8 Reliability of Research Instruments

The degree to which an instrument measures the same manner each time it is used under the same conditions is defined by Adams et al., (2007). Reliability ensures research instruments are consistent (consistency of results) in that it measures exactly the variables of the study and Cronbach alpha of 0.7 or above for all research variables, according to Kothari (2007), is deemed sufficient. As a result, the Cronbach alpha test, which is a measure of internal consistency, was used to assess the study instruments' reliability.

3.9 Validity of Research Instruments

Validity refers to a research instrument's capacity to deliver more than simply correct data; it also refers to the study's capacity to produce valid answers (Kothari) (2007). This was accomplished through content validity, i.e., consistency checks and pre-testing of the questionnaire for content validity prior to distribution to the study's target respondents. Proof reading of all questions also assisted in ascertaining that the clarity, objectivity and purpose of the study come out clearly.

3.10 Pilot Test

A pilot study is a small-scale preliminary investigation conducted before the major study to assess the validity and reliability of data gathering equipment (Kothari, 2007). Mugenda and Mugenda (2003) assert that pre-testing enables discovery of errors before the real data collection exercise. Ten percent of sample size was calculated to get the number of respondents (10% of 65=7) who participated in the pilot study (Cooper & Schinder, 2008). All components of the research questionnaires were verified and coded to ensure clarity of terms and correctness of statements in respect to the specific research questions, before being

piloted on 7 respondents in the County Government of Kisumu, which neighbours the study area.

3.11. Data Processing and Analysis

Data analysis is a systematic process of transcribing, compiling, editing, coding, and reporting data in a way that makes it understandable and available to the reader and researcher for interpretation and debate (Jwan & Ong'ondo, 2011). The obtained data was edited, cleaned, and coded before being analyzed using SPSS version 24. Inferential statistics, such as Pearson correlation coefficient and multiple regression analysis, was computed to determine whether there is a correlation, linear, or multiple relationship between the independent and dependent variables. Descriptive statistical analysis was used to summarize data using frequencies, percentages, and means, while inferential statistics, such as Pearson correlation coefficient and multiple regression analysis, was computed to determine whether there is a correlation, linear, or multiple relationship between the independent and dependent variables.

3.11.1 Multiple Regression Analysis

For modeling the relationship between the dependent variable and Independent variables, the following multiple regression equation was applied;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \quad (1)$$

Where γ = Dependent variable [Public expenditures in the County Governments of the Western Region of Kenya]

α = Constant; the y intercept or the average response when both predictor variables are Zero (0)

X_1 = Independent variable 1 [Budget reforms]

X_2 = Independent variable 2 [Financial reporting reforms]

X_3 = Independent variable 3 [Fiscal decentralization reforms]

X_4 = Independent variable 4 [Public procurement reforms]

ε = error term

β_1, \dots, β_4 = Beta Coefficients

3.11.2. Diagnostic Tests

The following tests as summarized by Hair *et al.*, (2006) were put into consideration;

Normality Test: Normality test was tested using the Q-Q plot and normal distribution curve to check for any outliers and to ensure that the variables are normally distributed.

Accuracy of data; the scales of measurement were valid since questions were checked for content validity and Cronbach's alpha (which is a measure of reliability) values should be above 0.7. This was checked using pre-test analysis of the pilot test results.

Multicollinearity Test: Correlations between all pairs of independent variables was computed to check for multicollinearity. There is multicollinearity if the correlation coefficient, r , is close to 1 or -1, but there is no multicollinearity if r is less than 0.9. (Hair et al., 2006).

Linearity Test: The degree to which the change in the dependent variable is related to the change in the independent variable is measured by the Linearity Test. Because regression tests linear relationships, the independent and dependent variables must have a

linear relationship. All predictor variables were examined in this study to see if they have a significant relationship with the dependent variable.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

In this chapter, the empirical data gathered throughout the study's data collection method is examined. There is a focus on response rates, demographics, and the four main areas of the study: budget reforms, financial reporting reforms, fiscal decentralization reforms, and public procurement reforms, all of which were examined extensively. Data was mostly collected via the use of questionnaires.

4.3 Response Rate

Sixty five (65) questionnaires were administered to the targeted respondents in Four County Governments of the Western Region of Kenya comprising of Chief Officers. Out of the Sixty Five (65) administered questionnaires, Forty-nine (49) completed questionnaires were received, ready for coding and analysis. This corresponds to a response rate of 75.4 percent. A response rate of at least 30% is recommended by statistical experts for an in-depth study to be undertaken, according to the latest research (Abok, 2013). As a result, the response rate reached in the survey was regarded adequate for the purposes of this study's analysis. The findings are presented below in table 3

TABLE 3 Response Rate

	Frequency	Percentage
Returned	49	75.4
Not Returned	24	24.6
Total	65	100.0

4.2 Validity and Reliability of research instruments

Validity of research instruments was checked using content validity where all questions were checked for clarity of words and contents so as to fully capture all aspects of the conceptualized study variables. Opinion of the supervisor was also critical in establishing validity of the research instruments. A reliability analysis was conducted to determine the reliability of the study using Cronbach's Alpha as the measure. A reliability co-efficient of ≥ 0.7 was considered adequate. The results are indicated in table 4

TABLE 4 Reliability Test

Variable	Number of Items	Cronbach alpha
Budget reforms	8	0.946
Financial reporting reforms	8	0.931
Fiscal decentralization reforms	8	0.903
Public procurement reforms	8	0.965
Public expenditures	6	0.908
Average	38	0.931

From table 4, each of the variables had a Cronbach alpha value more than 0.7. The values range from 0.903 for Fiscal decentralization reforms to 0.965 for Public procurement reforms. According to Bryman (2014) and Murphay and David Shofer (2008), the research instrument was regarded dependable for the study since it had a high Cronbach's alpha value of >0.7 , which was considered high by the researchers.

4.4 Background Information

This section analyses the demographic pattern of the respondents among them being gender, respondents' level of education and number of years/work experience.

4.4.1 Distribution of Respondents by Gender

The gender of respondents was considered important in this study. This is because according to the Kenyan Constitution 2010 there is supposed to be fair distribution of job opportunities to both men and women in the public offices. The respondents were asked to indicate their gender. The results are as shown in table 5.

TABLE 5 Distribution of respondents by gender

Response	Frequency	Percentage
Female	16	32.7
Male	33	67.3
Total	49	100

As far as this study is concerned majority of the respondents were males representing 67.3% of the respondents which is just slightly above average while the females were rated at 32.7% of the respondents. This shows a fair representation for all genders in the jobs associated with County Governments of the Western Region of Kenya. This implies that almost an equal number of males and females are willing to take up jobs with County Governments of the Western Region of Kenya and that the management does not discriminate on gender lines. This is motivated perhaps by prestige and financial benefits associated with County Governments of the Western Region of Kenya.

4.4.2 Distribution of Respondents by Level of Education

The study sought to establish the respondents' level of education. The results are as shown in table 6:

TABLE 6 Education Level

Education Level	Frequency	Percentage
Degree	27	55.1
Masters	20	40.8
PhD	2	4.1
Total	49	100

Education-wise, majority of the respondents (55.1%) were having various degree level of education while 40.8% were having masters' degrees. However, only 0.03% of the sampled respondents were having doctorates degrees. The results are in agreement with Machoka and Wamugo (2018) who found that majority of employees from County Governments of the Western Region of Kenya have at least bachelor degree from various fields. This gives them an edge in understating various public financial management reforms and how it influences public expenditures in the County Governments of the Western Region of Kenya.

4.4.3 Respondents Work Experience

The respondents were asked to indicate the number of years they had worked in the County Government. Results presented in table 7 reveal that 26.5% of the respondents have worked in the County Government for between 1 and 3 years, 49.0% indicated 4 to 7 years, 24.5% indicated over 7 years while one of the respondents indicated less than one year. This implies that majority of the employees have worked in the County Government for over 3 years. This is expected since most of the employees in County Government were from the defunct Local Authorities and others were seconded from National Government Ministries and departments. Quiñones, Ford and Teachout (2015) argued that work experience had the highest correlations with measures of job performance. Ngugi (2012) established that majority of employees in County Governments of the Western Region of Kenya have spent more than

two years in their current position which place them in good position to understand influence of public financial management reforms on public expenditures in County Governments of the Western Region of Kenya.

TABLE 7 Respondents Work Experience

Responses	Frequency	Percent
Less than 1	0	0.0
1 – 3	13	26.5
4 – 7	24	49.0
Above 7	12	24.5
Total	49	100

4.5 Descriptive Statistics

Descriptive statistics are based on research variables' frequencies, percentages, means, and standard deviations for the purpose of reporting. These variables were budget reforms, financial reporting reforms, fiscal decentralization reforms and public procurement reforms which were independent variables while public expenditures in the County Governments of the Western Region of Kenya was dependent variable. The respondents were asked to indicate their level of agreement from 1 strongly disagree, 2-Disagree, 3-uncertain, 4-agree and 5 strongly agree. The findings are as follows.

4.5.1 Budget reforms and Public expenditures in the County Governments of the Western Region of Kenya

The first objective of this study was to determine the influence of budget reforms on public expenditures in the County Governments of the Western Region of Kenya. In order to achieve this objective, the study therefore sought to find out the extent to which budget

reforms affects public expenditures. The results are presented in table 8 in which percentage are presented inside brackets while frequency outside brackets.

TABLE 8 Budget reforms

Budget reforms	5	4	3	2	1	Mean	SD
1. There is public participation in the budgeting process	23 (46.9)	10 (20.4)	11 (22.4)	2 (4.1)	3 (6.1)	3.98	1.20
2. There is equitable allocations of the revenues collected	8 (16.3)	19 (38.8)	13 (26.5)	5 (10.2)	4 (8.2)	3.45	1.14
3. Budget appropriations are within expenditures lines	14 (28.6)	19 (38.8)	8 (16.3)	5 (10.2)	3 (6.1)	3.73	1.17
4. There are budget drafting reviews by professional budget experts	19 (38.8)	17 (34.7)	9 (18.4)	1 (2)	3 (6.1)	3.98	1.11
5. There are independent accounting reviews indicating budget deviations	16 (32.7)	18 (36.7)	10 (20.4)	3 (6.1)	2 (4.1)	3.88	1.07
6. There is harmony between county executive and county assembly in budget preparation and approval as a result of budget reforms	16 (32.7)	15 (30.6)	10 (20.4)	5 (10.2)	3 (6.1)	3.73	1.20
7. There is alignment of budgets with County Integrated Development Plans (CIDP) in the County	16 (32.7)	15 (30.6)	11 (22.4)	4 (8.2)	3 (6.1)	3.76	1.18
8. Recurrent and development fund use matches expenditures	11 (22.4)	17 (34.7)	11 (22.4)	4 (8.2)	6 (12.2)	3.47	1.276
Overall Mean Score						3.75	1.168

**N=49; KEY: 1= Strongly Disagree; 2= Disagree; 3=Uncertain;
4= Agree; 5=Strongly Agree; SD= Standard Deviation.**

The study findings from table 8 indicate that out of Forty nine (49) respondents who took part in the study 46.9% strongly agreed, and 20.4% agreed with the statement that there is public participation in the budgeting process. The line had a mean and standard deviation (M=3.98; SD= 1.20), which is an indicator that majority of the respondents well understood

that there is public participation in the budgeting process. On the statement that there are equitable allocations of the revenues collected, 38.8% agreed and 16.3% strongly agreed. The statement had a mean and standard deviation ($M=3.45$; $SD=1.14$). On the statement of the budget appropriations are within expenditures lines, 38.8% agreed while 28.6% strongly agreed ($M= 3.73$; $SD=1.17$). This implies that majority of the respondents were in agreement that budget appropriations are within expenditures lines.

Out of Forty Nine (49) respondents who participated in this study, 34.7% agreed and 38.8% strongly agreed that with the statement that there are budget drafting reviews by professional budget experts ($M=3.98$; $SD=1.11$). This indicate that majority of the respondents were in agreement that budget drafting reviews are by professional budget experts. Slight majority of the respondents strongly agreed 32.7% and 36.7% agreed that there are independent accounting reviews indicating budget deviations although 20.4% of the respondents were uncertain. The statement had a mean and standard deviation ($M=3.88$; $SD=1.07$).

The results also 32.7% and 30.6% strongly agreed and agreed respectively that there is harmony between County executive and County Assembly in budget preparation and approval as a result of budget reforms. This was supported by mean and standard deviation ($M=3.73$ $SD=1.20$). The results also revealed that 32.7% strongly agreed and 30.6% agreed that there is alignment of budgets with County Integrated Development Plans (CIDP) in the County with a mean of 3.76 and standard deviation of 1.18. Lastly, 22.4% strongly agreed and further 34.7% agreed that recurrent and development fund use matches expenditures. The statement had a mean of 3.47 and standard deviation of 1.276. Averagely, the level of budget reforms was at 75.0% mean response (mean=3.75, std. dev. =1.17) rated high as shown in table 8 an implication that budget reforms such as public participation, budget

execution/utilization and budget reviews & outlook papers influences public expenditures. It was found that these results were in agreement with Adongo (2013), who demonstrated that Kenya has implemented a number of changes to the budgeting process since independence with the goal of maximizing the benefits accruable from expenditure via budget reforms in the public sector. Because of perceived underperformance as compared to expectations set out in the budget provisions, certain modifications are necessary. Njenga, Omondi and Omete (2014) indicated a significant increase in the number of budgetary reforms undertaken by the County Governments in Kenya over the period under investigation.

4.5.2 Financial reporting reforms

The second objective of this study was to examine the influence of financial reporting reforms on public expenditures in the County Governments of the Western Region of Kenya. So as to achieve this objective, the study sought to establish the degree to which financial reporting reforms influenced public expenditures. The results are presented in table 9 in which percentage are presented inside brackets while frequency outside brackets.

TABLE 9 Financial Reporting Reforms

Financial reporting reforms	5	4	3	2	1	Mean	SD
1. The adoption of International Public Sector Accounting Standards affects the financial accounting and reporting practices in the County	13 (26.5)	19 (38.8)	10 (20.4)	1 (2)	6 (12.2)	3.65	1.25
2. There is operationalization of Treasury Single Account in the County	12 (24.5)	11 (22.4)	15 (30.6)	5 (10.2)	6 (12.2)	3.37	1.30
3. There is timely preparation of consolidated financial statements in the County	12 (24.5)	17 (34.7)	16 (32.7)	0 (0)	4 (8.2)	3.67	1.11
4. Prepared consolidated financial statements reflect county public	6 (12.2)	15 (30.6)	18 (36.7)	6 (12.2)	4 (8.2)	3.27	1.09

expenditures										
5. Operationalization of Treasury Single Account affects the management of cash flow in the County	2	14	20	8	5	3.00	1.02			
	(4.1)	(28.6)	(40.8)	(16.3)	(10.2)					
6. Financial reporting reforms has enable various stakeholders to understand the true cost of services delivered by the county per activity thus enhancing oversight	5	17	15	8	4	3.22	1.10			
	(10.2)	(34.7)	(30.6)	(16.3)	(8.2)					
7. Financial reporting reforms has led to improvement in compliance with Financial Reporting standards	14	19	8	4	4	3.71	1.21			
	(28.6)	(38.8)	(16.3)	(8.2)	(8.2)					
8. Generally, adoption of financial reporting reforms has led to efficiency in county public expenditures	13	16	9	4	7	3.49	1.356			
	(26.5)	(32.7)	(18.4)	(8.2)	(14.3)					
Overall Mean Score						3.42	1.18			

**N=49; KEY: 1= Strongly Disagree; 2= Disagree; 3=Uncertain;
4= Agree; 5=Strongly Agree; SD= Standard Deviation**

Out of the Forty Nine (49) respondents who took part in the study, 38.8% agreed and 26.5% strongly agreed with the statement that the adoption of International Public Sector Accounting Standards affects the financial accounting and reporting practices in the County. The statement had a mean and standard deviation (M=3.65; SD=1.25). There is operationalization of Treasury Single Account in the County, 22.4% agreed while 24.5% strongly agreed (M=3.37; SD=1.11). This indicates that there is operationalization of Treasury Single Account in the County.

On the statement that there is timely preparation of consolidated financial statements in the County, 24.5% strongly agreed while 34.7% agreed. The statement had a mean and standard deviation (M=3.67; SD=1.11), implying that slight majority of the respondents confirmed that there is timely preparation of consolidated financial statements in the County.

On the line that prepared consolidated financial statements reflect County public expenditures, 30.6% agreed and 12.2% strongly agreed. The statement had a mean and standard deviation (M=3.27; SD= 1.09), indicating that there is preparation consolidated financial statements reflect County public expenditures. On the statement that the operationalization of Treasury Single Account affects the management, 28.6% agreed and 4.1% strongly agreed although 40.8 were uncertain. The statement drew a mean and standard deviation (M=3.00; SD= 1.02) indicating that the operationalization of Treasury Single Account marginally the management of cash flow in the County.

The results further revealed that 10.2% and 34.7% strongly agreed and agreed respectively that financial reporting reforms has enable various stakeholders to understand the true cost of services delivered by the county per activity thus enhancing oversight. This was supported by mean and standard deviation (M=3.22 SD=1.10). The results also revealed that 28.8% strongly agreed and 38.8% agreed that financial reporting reforms have led to improvement in compliance with Financial Reporting standards with a mean of 3.71 and standard deviation of 1.21. Lastly, 26.5% strongly agreed and further 32.7% agreed that adoption of financial reporting reforms has led to efficiency in county public expenditures. The statement had a mean of 3.49 and standard deviation of 1.356.

Averagely, the level of financial reporting reforms was at 68.4% mean response (mean=3.42, std. dev. =1.18) rated high as shown in Table 4.7 an implication that financial reporting reforms such as adoption of International Public Sector Accounting Standards, financial information symmetry and consolidated financial statements influences public expenditures. According to Rugutt, Naibei, Cheruiyot and Kimutai (2019), financial reporting system improvements affect the usefulness of public financial reporting reforms. To put it another way, a sound public financial reporting system is critical to reaching public financial

management goals on both the internal and external reporting fronts. The implementation of International Public Sector Accounting Standards (IPSAS) by the Nigerian government has improved the state's financial reporting's credibility, integrity, and dependability. The study also discovered that in Nigeria's public sector, IPSAS facilitate effective internal control and a financial framework focused on results, resulting in improved service delivery.

4.5.3 Fiscal decentralization reforms

The third objective of this study was to evaluate the influence of fiscal decentralization reforms on public expenditures in the County Governments of the Western Region of Kenya. In order to achieve this objective, the study first sought to establish in what ways fiscal decentralization reforms influenced public expenditures. The results are presented in table 10 in which percentage are presented inside brackets while frequency outside brackets.

TABLE 10 Fiscal Decentralization Reforms

Fiscal decentralization reforms	5	4	3	2	1	Mean	SD
1. Decentralization of decision-making power has improved county public expenditures	5 (10.2)	14 (28.6)	13 (26.5)	11 (22.4)	6 (12.2)	3.02	1.20
2. There are independent financial management committees to check county expenditures	6 (12.2)	25 (51)	11 (22.4)	6 (12.2)	1 (2)	3.59	0.93
3. County chief finance officers have absolute authority over county expenditures	9 (18.4)	22 (44.9)	10 (20.4)	7 (14.3)	1 (2)	3.63	1.01
4. There is an effective tax decentralization system to help generate county revenue	10 (20.4)	21 (42.9)	12 (24.5)	5 (10.2)	1 (2)	3.69	0.98
5. There is an independent fiscal decentralization committee to check county expenditures	14 (28.6)	18 (36.7)	9 (18.4)	7 (14.3)	1 (2)	3.76	1.09
6. There is an effective tax decentralization system to help check county expenditures	16 (32.7)	17 (34.7)	9 (18.4)	6 (12.2)	1 (2)	3.84	1.09

7. Fiscal decentralization facilitates greater economic equality as resources are spread more evenly across the country	12 (24.5)	19 (38.8)	8 (16.3)	9 (18.4)	1 (2)	3.65	1.11
8. Generally, adoption of fiscal decentralization reforms has helped improve efficiency in county expenditures	12 (24.5)	24 (49)	8 (16.3)	4 (8.2)	1 (2)	3.86	0.96
Overall Mean Score						3.63	1.05

**N N=49; KEY: 1= Strongly Disagree; 2= Disagree; 3=Uncertain;
4= Agree; 5=Strongly Agree; SD= Standard Deviation**

Decentralization of decision-making authority has enhanced County public spending, according to 28.6% of respondents who agreed with the statement and 10.2% of those who strongly agreed. Mean and standard deviation of the statement (M=3.02; SD=1.20) indicate better county public spending due to the decentralization of decision-making authority. On the question of whether counties should have independent financial management committees to oversee spending, 51% agreed, with 12.2% strongly disagreeing. According to the data, the county's spending is monitored by independent financial management committees (M=3.59; SD=0.93).

Study participants disagreed significantly with the assertion that county finance administrators had ultimate responsibility over county spending, with 10.1% of them saying they strongly disagreed. Furthermore, 10.1% of respondents disagreed with the statement, 23.2% stayed neutral, 37.7% agreed, and 17.4% strongly agreed with the statement. According to the statement's average and standard deviation, county chief financial officers have some control over county spending.

Twenty-four percent of respondents agreed with the assertion that the tax decentralization system helps raise County income and checks County spending. An sign of

some kind of efficient tax decentralization scheme to assist generate county income and monitor county spending was the line's mean and standard deviation (M=3.69; SD=0.98) Another 36.7% of those surveyed agreed that an independent fiscal decentralization committee should monitor county spending, while 28.6% strongly agreed with a mean of 3.76 and a standard deviation of 1.09, indicating a split between the two groups.

The results also revealed that 18.4% and 44.9% strongly agreed and agreed respectively that County Chief Finance Officers have absolute authority over county expenditures. This was supported by mean and standard deviation (M=3.63 SD=1.01). The results also revealed that 24.5% strongly agreed and 38.8% agreed that fiscal decentralization facilitates greater economic equality as resources are spread more evenly across the country with a mean of 3.65 and standard deviation of 1.11. Lastly, 24.5% strongly agreed and further 49% agreed that adoption of fiscal decentralization reforms has helped improve efficiency in county expenditures. The statement had a mean of 3.86 and standard deviation of 0.96.

Table 10 shows that fiscal decentralization measures such as decision-making power, control over public finances, and tax decentralization have a significant impact on public spending, with a mean response of 72.6% (mean=3.63, std. dev. =1.05). According to Muna (2016), fiscal decentralization has been introduced in Kenya as a new framework to distribute fiscal responsibilities and tasks between national and county governments since government reform was implemented there. To begin, the goal of this new strategy is to devise efficient ways to provide essential services like healthcare, clean water, food and shelter to the community's urgent needs. When it comes to governance change, many consider fiscal decentralization as a powerful tool for controlling expenditure delivery and revenue collection.

4.5.4 Public Procurement Reforms

The fourth objective of this study was to assess the effect of public procurement reforms on public expenditures in the County Governments of the Western Region of Kenya. So as to achieve this objective, the researcher sought to find out how public procurement reforms influences the public expenditures. The results are presented in table 11 in which percentage are presented inside brackets while frequency outside brackets.

TABLE 11 Public Procurement Reforms

Public procurement reforms	5	4	3	2	1	Mean	SD
1. Adoption of E-government procurement system has enhanced accountability in county public expenditures	9 (18.4)	15 (30.6)	13 (26.5)	7 (14.3)	5 (10.2)	3.33	1.23
2.Frequent emergency tenders affects public expenditure	7 (14.3)	19 (38.8)	15 (30.6)	3 (6.1)	5 (10.2)	3.41	1.14
3.Electronic ordering and purchasing system has improved transparency in county public expenditures	10 (20.4)	12 (24.5)	22 (44.9)	1 (2)	4 (8.2)	3.47	1.10
4.Valid procurement plans are always available to guard against extreme variation in procurement expenditure	17 (34.7)	16 (32.7)	9 (18.4)	3 (6.1)	4 (8.2)	3.80	1.22
5.Adoption of green procurement has minimized procurement costs and expenditures	9 (18.4)	19 (38.8)	12 (24.5)	4 (8.2)	5 (10.2)	3.47	1.19
6. Use of e-procurement minimizes cost in multiple sourcing	10 (20.4)	16 (32.7)	16 (32.7)	1 (2)	6 (12.2)	3.47	1.21
7. Public Procurement reforms has resulted to effective supplier quality management	5 (10.2)	29 (59.2)	9 (18.4)	1 (2)	5 (10.2)	3.57	1.06
8. Generally, adoption of procurement reforms has improved efficiency in county expenditures	13 (26.5)	16 (32.7)	13 (26.5)	3 (6.1)	4 (8.2)	3.63	1.18
Overall Mean Score						3.52	1.17

**N=49; KEY: 1= Strongly Disagree; 2= Disagree; 3=Uncertain;
4= Agree; 5=Strongly Agree; SD= Standard Deviation..**

The findings indicate that out of Forty Nine (49) respondents who took part in the study, 30.6% agreed while 18.4% strongly agreed that adoption of E-government procurement system has enhanced accountability in County public expenditures. The line had a mean and standard deviation ($M= 3.33$, $SD= 1.23$), indicating that adoption of E-government procurement system has enhanced accountability in County public expenditures. Furthermore, slight majority of the respondents agreed that frequent emergency tenders affects public expenditure ($M=3.41$; $SD=1.14$), indicating that frequent emergency tenders affects public expenditure.

On the statement that electronic ordering and purchasing system has improved transparency in County public expenditures, 24.5% agreed while 20.4% strongly agreed. The statement had a mean and standard deviation ($M=3.47$; $SD=1.10$), indicating that electronic ordering and purchasing system has improved transparency in county public expenditures. The results also revealed that 32.7% agreed and 34.7% strongly agreed that valid procurement plans are always available to guard against extreme variation in procurement expenditure with a mean of 3.80 and standard deviation 1.22. The results also revealed, 38.8% and 18.4% of the respondents agreed and strongly agreed that the adoption of green procurement has minimized procurement costs and expenditures. On the other hand, 24.5% of the respondents were uncertain with a mean of 3.47 and standard deviation of 1.19.

The outcome further revealed that 20.4% and 32.7% strongly agreed and agreed respectively that the use of e-procurement minimizes cost in multiple sourcing. This was supported by mean and standard deviation ($M=3.47$, $SD=1.21$). The results also revealed that 10.2% strongly agreed and 59.2% agreed that public procurement reforms have resulted to effective supplier quality management with a mean of 3.57 and standard deviation of 1.06. Lastly, 26.5% strongly agreed and further 32.7% agreed that adoption of procurement

reforms has improved efficiency in county expenditures with a mean of 3.63 and standard deviation of 1.18.

Averagely, the level of public procurement reforms was at 70.4% mean response (mean=3.52, std. dev. =1.17) rated high as shown in Table 11 an implication that public procurement reforms such as E-government procurement (e-GP), E-ordering/purchasing and green procurement influences public expenditures. According to Kinuthia, Odundo, and Nyagah (2018), many changes in industrialized economies entail shifting from paper-based to electronic procurement (e-procurement). When it comes to procurement malpractices such single sourcing, contract splitting, induced emergency purchases, price inflation, and lack of transparency, Musa Success and Nwaorgu (2014) say procurement reforms have the most impact. The process of reform improved public sector efficiency and budgetary restraint.

4.5.5 Public expenditures in the County Governments of the Western Region of Kenya

The general objective of the study was to examine influence of public financial management reforms on public expenditures in County Governments of the Western Region of Kenya. The results are presented in table 12 in which percentage are presented inside brackets while frequency outside brackets.

TABLE 12 Public Expenditures

Public expenditures	5	4	3	2	1	Mean	SD
1. There are efficient absorption rates for development expenditures	7 (14.3)	14 (28.6)	19 (38.8)	6 (12.2)	3 (6.1)	3.33	1.07
2. There is efficient utilization of county resources	17 (34.7)	16 (32.7)	6 (12.2)	5 (10.2)	5 (10.2)	3.71	1.32
3. There are efficient recurrent operations and maintenance.	15 (30.6)	23 (46.9)	8 (16.3)	0 (0)	3 (6.1)	3.96	1.02
4. Development spending reflects value for money	17 (34.7)	19 (38.8)	8 (16.3)	2 (4.1)	3 (6.1)	3.92	1.11
5. There is parity on the share of actual expenditure out of the budgeted expenditure	7 (14.3)	20 (40.8)	15 (30.6)	4 (8.2)	3 (6.1)	3.49	1.04
6. The county's recurrent expenditure does not exceed county total revenue	9 (18.4)	14 (28.6)	15 (30.6)	4 (8.2)	7 (14.3)	3.29	1.27
Overall Mean Score						3.62	1.14

**N=49; KEY: 1= Strongly Disagree; 2= Disagree; 3=Uncertain;
4= Agree; 5=Strongly Agree; SD= Standard Deviation.**

Results from Table 12 show that 14.3% of participants strongly agreed and 28.6% agreed with the assertion that development expenditures had efficient absorption rates. A look at the line's mean and standard deviation (M=3.33; SD=1.07) shows that development expenditures are not being adequately absorbed. 34.7 percent agreed and 32.7 percent strongly agreed with the statement that County resources are being used efficiently. In this case, the statement's average and standard deviation were 3.71 and 1.32, respectively.

Recurrent operations and maintenance are efficient, according to 46.9% of respondents, while 30.6% strongly agree (M= 3.96; SD=1.11). This suggests that routine operations and maintenance are somewhat efficient. Study participants agreed and strongly agreed that development investment shows value for money, with a mean of 3.92 and a standard deviation of 1.11, respectively (n=49). This shows that money spent on

development is a good investment. Only 14.3% of those polled strongly agreed, while 40.8% agreed that the County's recurring expenses do not surpass the County's overall income, and 30.6% were unsure. With a mean and standard deviation of 3.49 and 1.04, the statement was statistically significant. Finally, 18.4% and 28.6% of those polled said they strongly agreed or agreed with the statement that recurring county expenses do not surpass recurring county revenues. Mean and standard deviation were given to the statement (M=3.39; SD=1.27).

There was a 73.8% mean answer in terms of public spending (mean=3.62; standard deviation =1.14). Lenard and Ngaba (2020) also found that County budgets in Kenya had a poor absorption of expenditures. The Office of the Controller of Budgets (OCOB) outlined a number of concerns affecting Kenyan County Governments in an overview of budget implementation problems. Some County Governments failed to adopt IFMIS entirely, construction funds were not fully absorbed, and financial statements were not filed on time.

4.6 Testing of Regression Model Assumptions

Before conducting linear regression analysis, the study sought to find out if the assumptions of linear regression analysis have been met. This includes Multicollinearity (VIF), Normality (Histogram with superimposed normal curve) and linearity (Pearson correlation analysis).

4.6.1 Test for Multicollinearity

Because of multicollinearity, it's hard to tell how much variation each of the predictor variables contributes when doing a multiple regression analysis; this makes multicollinearity a statistical problem. The highest value of the VIF threshold for the multicollinearity assumption is 10. (Robinson, 2009). Table 13 shows that the VIF values are less than 10, indicating that study variable multi-collinearity is not an issue.

TABLE 13 Multicollinearity Test

Variable	Tolerance	VIF
Budget reforms	.787	1.270
Financial reporting reforms	.753	1.329
Fiscal decentralization reforms	.642	1.557
Public procurement reforms	.643	1.554

4.6.2 Test for normality

It is recommended by Ghasemi and Zahedias (2012) that normalcy be evaluated by visual means. The breach of the normalcy assumption should have little impact on results when using big samples (e.g., more than 30 or 40). There are a number of reasons for this, and one of them is that SPSS outputs attached in the appendix III shows results of Q-Q normal plot. From normal Q-Q plots the deviation from normality was not much as from the approximation to the line of fit. Therefore, the data was near normal distribution and hence could be used in a regression analysis.

4.7 Inferential Statistics Analysis

4.7.1 Correlation Analysis

To determine the type and strength of the links between the study's independent and dependent variables, the researcher used correlation analysis. As a result, Pearson Correlation analysis was used to determine if the data were linear or nonlinear. Regression analysis using linear equations implies independent and dependent variables have a straight line connection.

The linearity is due to all research variables having a significance level less than 0.05. Every one of the linear connections was significant at a p-value of 0.01. (99.0 percent confidence level). Table 14 displays the findings..

TABLE 14 Pearson Correlation Analysis

		BR	FRR	FDR	PPR
BR =Budget Reforms	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	49			
FRR =Financial Reporting Reforms	Pearson Correlation	.428**	1		
	Sig. (2-tailed)	.002			
	N	49	49		
FDR =Fiscal Decentralization Reforms	Pearson Correlation	.278	.338*	1	
	Sig. (2-tailed)	.053	.017		
	N	49	49	49	
PPR =Public Procurement Reforms	Pearson Correlation	.287*	.329*	.573**	1
	Sig. (2-tailed)	.045	.021	.000	
	N	49	49	49	49
Public Expenditures	Pearson Correlation	.580**	.577**	.620**	.750**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	49	49	49	49

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

The results indicate that budget reforms has a moderate positive Pearson correlation (r=0.580, p=0.000) influence on public expenditures in the County Governments of the Western Region of Kenya. This indicates that budget reforms play a major role in expenditures. The results indicate that there is moderate relationship between financial reporting reforms and public expenditures in the County Governments of the Western Region of Kenya (Pearson correlation coefficient= 0.577, P=0.000). Financial reporting reforms therefore have a very great influence in public expenditures.

The analysis in table 14 show that fiscal decentralization reforms has a moderate positive Pearson correlation coefficient (r= 0.620) influence on public expenditures. This indicates that fiscal decentralization reforms factors cannot be ignored whenever considering

the public expenditures. The results showed that there is positive relationship between public procurement reforms and public expenditures (Pearson correlation coefficient, $r= 0.750$). This implies that public procurement reforms are very necessary in public expenditures.

4.7.2 Multiple Regression Analysis

Objective of this study sought to examine influence of public financial management reforms on public expenditures in County Governments of the Western Region of Kenya. This was achieved by carrying out standard multiple regressions. The study was interested in knowing the influence of each of the public financial management reforms constructs on public expenditures when all these constructs were entered as a block on the model. The results of multiple linear regression analysis were presented in table 15 which contained model summary (R, R^2 , Adj R^2) results, table 16 which contained ANOVA (goodness of fit; F Ratio, Sig Value) while table 17 contained regression coefficient (Unstandardized & standardized), t-value and Sig. value results.

The study sought to determine the model summary findings in order to determine the overall percentage change in the public expenditures that was explained by all the metric of the public financial management reforms by use of R^2 . The results in Table 4.13 present R, R^2 , Adj R^2 , F ratio and Sig. value.

TABLE 15 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.883 ^a	.780	.760	.4653	.780	38.92	4	44	.000

a. Predictors: (Constant), Public procurement reforms, Budget reforms, Fiscal decentralization reforms, Financial reporting reforms

b. Dependent Variable: Public Expenditure

The results from the model summary in table 15 give us information on the overall summary of the model. Looking at the R square column, we can deduce that public financial management reforms account for 78.0% significant variance in public expenditures (R square =.780, P=0.000) implying that 22.0% of the variance in public expenditures is accounted for by other variables not captured in this model.

TABLE 16 Model of Fit (ANOVA Table)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	33.707	4	8.427	38.922	.000 ^b
Residual	9.526	44	.217		
Total	43.234	48			

a. Predictors: (Constant), Public procurement reforms, Budget reforms, Fiscal decentralization reforms, Financial reporting reforms

b. Dependent Variable: Public Expenditure

The research used F Ratio to evaluate the model's relevance, just to see whether the model is a more significant predictor of public spending than using a mean score, which is a guess. There was a significant difference between the model errors/inaccuracies that were included in the model and those that weren't ($F(4,48) = 38.922, P=0.000$) based on the results. This indicates that the F value is more than one. The large F value (99.0%) indicates that the final research model has significantly improved in its capacity to forecast county governments' public expenditures in Kenya's Western Region.

Table 17 presents unstandardized coefficients, standardized coefficients, the t statistic, and significant values that may be found in the experiment. Depending on the kind of data, the research might use Unstandardized Coefficients or Standardized Coefficients. Because

we aim to examine the effects of public financial management changes across the same indicators, we chose an unstandardized coefficient column (Likert Scale 1 through 5).

TABLE 17 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.518	.365		-1.417	.163
Budget reforms	.277	.076	.290	3.642	.001
Financial reporting reforms	.226	.080	.232	2.842	.007
Fiscal decentralization reforms	.213	.103	.182	2.063	.045
Public procurement reforms	.440	.080	.486	5.508	.000

a. Dependent Variable: Public Expenditure

A regression of the four predictor variables against public expenditures established the multiple linear regression model as below as indicated in table 17:

$$\hat{Y} = -.518 + 0.277X_1 + 0.226X_2 + 0.213X_3 + 0.440X_4 \quad (2)$$

where:

Y= Public Expenditure

X₁= Budget reforms

X₂= Financial reporting reforms

X₃= Fiscal decentralization reforms

X₄= Public procurement reforms

From the findings presented in table 17, we look at the model results and scan down through the unstandardized coefficients B column. All public financial management reforms constructs had significant effect on the public expenditures. If public financial management reforms are held at zero or it is absent, the public expenditures by the County Governments of

the Western Region of Kenya would be -0.518 , $p=0.163$. This implies that absence of financial management reforms would resource to negative public expenditure.

It was revealed that budget reforms had unique significant contribution to the model with $B=.277$, $p=.001$ suggesting that controlling of other variables (Financial reporting reforms, Fiscal decentralization reforms and Public procurement reforms) in the model, a unit increase in budget reforms would result to significant increase in public expenditures by 0.277 units. These findings are in agreement with Samira (2018) researched on budgeting process reforms and expenditures by Kwale county government. The study findings indicated that a significant majority of the respondents agreed that budgeting process has an impact to improved financial performance at the county. Zipporah (2017) study on budget reports in County Governments concluded that budgeting reforms helps County Government to estimate its revenue and expenditure in their financial year.

The coefficient of financial reporting reforms was 0.226 , which was significant ($p=.007$) and also positive. When the variance explained by all other variables (Budget reforms, fiscal decentralization reforms and Public procurement reforms) in the model is controlled, a unit increase in financial reporting reforms would result to significant increase in public expenditure by 0.226 units. The findings concurred with Kipchoge (2015) who studied effects of corporate attributes on International Financial Reporting Standards (IFRS) disclosure levels, evidence from Kenyan listed firms. The study concluded there is a considerable degree of relationship between liquidity, IFRS disclosure and firm expenditures. Ramanna and Sletten (2017) carried out a study on why Countries adopted financial reporting reforms as stipulated by the International Financial Reporting Standards. The study concluded that adoption of IFRS generally reinforce accounting disclosure quality that matches company expenditures.

Another variable that also had a unique significant contribution to the model was the value for Fiscal Decentralization reforms ($B=.213$, $p=.045$). When other variables in the model are controlled (Financial reporting reforms, Budget reforms and Public procurement reforms), a unit increase in fiscal decentralization reforms would result to significant increase in public expenditure by 0.213 units. Those results are in accordance with those made by Boetti, Piacenza, and Turati (2014), who found that fiscal discipline regulations tightening budget constraints improves expenditure efficiency, necessitating the use of tax decentralization measures. Elhiraika (2013) examined the relationship between South Africa's fiscal decentralization and the delivery of public services, using data gathered at the province level. According to the findings, despite the fact that subnational government funding in South Africa is focused on fairness and redistribution, enormous inequalities persist across provinces in terms of per capita income and per capita health and education spending..

Lastly, public procurement reforms had also unique significant contribution to the model with $B=0.440$, $p=.000$ implying that when other variables in the model are controlled (Financial reporting reforms, fiscal decentralization reforms and Budget reforms), a unit increase in Public procurement reforms would result to significant increase in public expenditure by 0.440 units. These results are in agreement with Kibinu, Odundo and Nyagah (2018) who examined aspects of procurement reforms that influence expenditure management in public secondary schools in Kenya. Public procurement reforms caused a significant increment in procurement expenditure which signifies a negative influence on expenditure management.

4.6.4 Testing Null Hypotheses

Regression coefficient findings from a multiple linear regression analysis were used to evaluate the hypotheses, and the results are shown in Table 4.15. Unstandardized B coefficient significance level was used to arrive at this result. It was decided to reject the null hypothesis when the significance level of the B coefficient was less than 0.05.

H₀₁: Budget reforms do not significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H_{A1}: Budget reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

B Coefficient results: ($B_1 = 0.277$; $p=0.007 < 0.01$)

Verdict: The null hypothesis **H₀₁** was rejected.

Results interpretation: H_{A1}: Budget reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H₀₂: Financial reporting reforms do not significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H_{A2}: Financial reporting reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

B Coefficients results: ($B_2 = 226$; $p=0.000 < 0.01$)

Verdict: The null hypothesis **H₀₂** was rejected.

Results interpretation: H_{A2}: Financial reporting reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H₀₃: Fiscal decentralization reforms do not significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H_{A3}: Fiscal decentralization reforms do not significantly influence public expenditures in the County Governments of the Western Region of Kenya.

B Coefficient results: ($B_3 = 0.213$; $p=0.007 < 0.01$)

Verdict: The null hypothesis **H₀₃** was rejected.

Results interpretation: H_{A3}: Fiscal decentralization reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H₀₄: Public procurement reforms do not significantly influence public expenditures in the County Governments of the Western Region of Kenya.

H_{4A}: Public procurement reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

B Coefficient results: ($B_4 = 0.440$; $p=0.015 < 0.05$)

Verdict: The null hypothesis **H₀₄** was rejected.

Results interpretation: H_{4A}: Public procurement reforms do significantly influence public expenditures in the County Governments of the Western Region of Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study objective was to examine influence of public financial management reforms on public expenditures in County Governments of the Western Region of Kenya. From this overall objective, the specific objectives aimed at achieving the influence of budget reforms, financial reporting reforms, fiscal decentralization reforms and public procurement reforms on public expenditures in the County Governments of the Western Region of Kenya. This chapter presents the summary of major findings of the study, the conclusions, and recommendations and finally, the chapter highlights areas for further research.

5.2 Summary of the Findings

The purpose of this study was to examine the influence of public financial management reforms on public expenditures in the County Governments of the Western Region of Kenya. A descriptive survey research design was adopted to carry out the study. The study had a population of 65 chief officers from the County Governments of Kakamega, Vihiga, Bungoma and Busia. The study utilized primary data which was collected using questionnaires. The study managed to obtain 49 completed questioners representing 75.4 % response rate. A pilot test was conducted using 5 questionnaires to ensure reliability and validity of the data. The Statistical Package for Social Sciences (SPSS) version 24 was used for data analysis.

5.2.1 Influence of Budget reforms on Public Expenditures

The study established that majority of the respondents were in agreement with various statement in regard to budget reforms on public expenditure. There is public participation in the budgeting process as at great extent and the same was evident in regards to budget drafting reviews by professional budget experts. There are equitable allocations of the revenues collected and budget appropriations are within expenditures lines. This was supported by moderate correlation between budget reforms and public expenditure. The were positive and significant influence of budget reforms on public expenditures in the County Governments of the Western Region of Kenya. Government finance changes had a significant effect on commercial state-owned enterprise financial performance, according to Wakhungu (2014). He found that the credibility of budget reforms had a significant impact on commercial state-owned firm financial spending. According to a research by Isaboke and Kwasira (2016) on the financial performance implications of budgeting process improvements, financial capability is an essential factor to consider when determining County Government spending. A high connection was found between financial reforms and County Government's financial success (as assessed by efficiency in spending), as reflected by respondents who had a favorable view of them. Correlation analysis also showed this strong positive association.

Multiple linear regression results using unstandardized beta coefficients showed that there exists a positive and significant influence of budget reforms on public expenditures in the County Governments of the Western Region of Kenya. Therefore, the first null hypothesis was rejected as budget reforms have significant influence on public expenditures in the County Governments of the Western Region of Kenya. These findings are in agreement with Samira (2018) researched on budgeting process reforms and expenditures by

Kwale County Government. The study findings indicated that a significant majority of the respondents agreed that budgeting process has an impact to improved financial performance at the County. Zipporah (2017) study on budget reports in County Governments concluded that budgeting reforms helps Gounty Government to estimate its revenue and expenditure in their Financial Years.

5.2.2 Influence of Financial reporting reforms on Public Expenditures

The study established that financial reporting reforms have led to improvement in compliance with Financial Reporting standards. Majority of the respondents were in agreement that the adoption of International Public Sector Accounting Standards affects the financial accounting and reporting practices in the County. Further, operationalization of Treasury Single Account as provided for in the PFM Regulations of 2015 for County Governments affects the management of cash flow in the Counties. The findings concurred with Kipchoge (2015) who studied effects of corporate attributes on international financial reporting standards disclosure levels, evidence from Kenyan listed firms. The study concluded there is a considerable degree of relationship between liquidity, IFRS disclosure and firm expenditures. Ramanna and Sletten (2017) carried out a study on why Countries adopted financial reporting reforms as stipulated by the International Financial Reporting Standards. The study concluded that adoption of IFRS generally reinforce accounting disclosure quality that matches company expenditures.

Multiple linear regression results using unstandardized beta coefficients showed that financial reporting reforms has significant positive influence on public expenditures in the County Governments of the Western Region of Kenya. Basing on the values of B and P, there was adequate evident to reject second null hypothesis as financial reporting reforms has

significant influence on public expenditures in the County Governments of the Western Region of Kenya. The findings concurred with Kipchoge (2015) who studied effects of corporate attributes on international financial reporting standards disclosure levels, evidence from Kenyan listed firms. The study concluded there is a considerable degree of relationship between liquidity, IFRS disclosure and firm expenditures. Ramanna and Sletten (2017) carried out a study on why countries adopted financial reporting reforms as stipulated by the International Financial Reporting Standards. The study concluded that adoption of IFRS generally reinforce accounting disclosure quality that matches company expenditures.

5.2.3 Influence of Fiscal decentralization reforms on Public expenditures in the County Governments of the Western Region of Kenya

The study established that adoption of fiscal decentralization reforms has helped improve efficiency in County expenditures. Fiscal decentralization is also evident as there is greater economic equality as resources are spread more evenly across the Country and there is an effective tax decentralization system to help check County expenditures. Overwhelmingly, those surveyed agreed that reducing the amount of control vested in local governments and enacting fiscal decentralization measures had a positive impact on county public spending. Those results are in accordance with those made by Boetti, Piacenza, and Turati (2014), who found that fiscal discipline regulations tightening budget constraints improves expenditure efficiency, necessitating the use of tax decentralization measures. Elhiraika (2013) examined the relationship between South Africa's fiscal decentralization and the delivery of public services, using data gathered at the province level. However, despite the emphasis on fairness and redistribution in sub-national government spending, the analysis found enormous differences across provinces in terms of per capita income and per capita health and education expenditure in South Africa.

Multiple linear regression results using unstandardized beta coefficients showed that fiscal decentralization reforms has significant positive influence on public expenditures in the County Governments of the Western Region of Kenya. Basing on the values of B and P, the study failed to accept the third null hypothesis as fiscal decentralization reforms has significant influence on public expenditures in the County Governments of the Western Region of Kenya. Those results are in accordance with those made by Boetti, Piacenza, and Turati (2014), who found that fiscal discipline regulations tightening budget constraints improves expenditure efficiency, necessitating the use of tax decentralization measures. Elhiraika (2013) examined the relationship between South Africa's fiscal decentralization and the delivery of public services, using data gathered at the province level. However, despite the emphasis on fairness and redistribution in sub-national government spending, the analysis found enormous differences across provinces in terms of per capita income and per capita health and education expenditure in South Africa.

5.2.4 Influence of Public procurement reforms on Public expenditures

The results revealed that valid procurement plans are always available to guard against extreme variation in procurement expenditure. Further, public procurement reforms have resulted to effective supplier quality management. Generally, adoption of procurement reforms has improved efficiency in County expenditures. Pearson correlation indicated a positive and significant relationship between public procurement reforms and public expenditures in the County Governments of the Western Region of Kenya. Those findings are in line with those of Nyore (2017), who found that the County Government's efficiency changes in public procurement helped it award tenders to qualified and low-cost providers. The use of technology in the County Government's execution of public procurement reforms

is more efficient and effective in reducing costs. According to the findings of the study, public procurement reforms are associated with reduced costs in government organizations..

Multiple linear regression results using unstandardized beta coefficients showed that public procurement reforms has significant positive influence on public expenditures in the County Governments of the Western Region of Kenya. Basing on the values of B and P, there was adequate evidence to reject fourth null hypothesis as public procurement reforms has significant influence on public expenditures in the County Governments of the Western Region of Kenya. These results are in agreement with Kibinu, Odundo and Nyagah (2018) who examined aspects of procurement reforms that influence expenditure management in public secondary schools in Kenya. Public procurement reforms caused a significant increment in procurement expenditure which signifies a negative influence on expenditure management.

5.3 Conclusions

The findings indicated that budget reforms have significant influence on public expenditures in the County Governments of the Western Region of Kenya. In this regard, the first null hypothesis was rejected Therefore, the study concluded that budget reforms influences public expenditures in the County Governments of the Western Region of Kenya. Budget reforms played a very key role in value for money and absorption rates both for recurrent and development expenditure. Therefore, improvement in budget reforms specifically, public participation, equitable allocation of revenue collected and budget appropriation would result in the improvement of public expenditure.

The study established that financial reporting reforms have significant influence on public expenditures in the County Governments of the Western Region of Kenya hence the

second null hypothesis was rejected. Thus, the study concluded that financial reporting reforms influence public expenditures in the County Governments of the Western Region of Kenya. Financial reporting reforms have resulted to timely preparation of consolidated financial statements in the Counties. Further, operationalization of Treasury Single Account affects the management of cash flow in the Counties which enhanced public expenditures in the Counties.

According to the results, fiscal decentralization measures in Kenya's Western County Governments have had a major impact on public spending. Reforms to fiscal decentralization are critical if sensible public expenditures are to be achieved. In the research, it was observed that the implementation of fiscal decentralization measures and the consequent decentralization of decision-making authority helped increase county spending efficiency.

Lastly, the study concluded that public procurement reforms have significant influence on the public expenditures in the County Governments of the Western Region of Kenya. Public procurement reforms in the county government majorly contribute to awarding tender to suppliers based on their qualification and low cost. The reforms have contributed to improved transparency and accountability in county public expenditures.

5.4 Recommendations

The study noted that absorption rate is not hundred percent implying that the County has been returning resources not utilized to the exchequer, the study recommended that County Governments of the Western Region of Kenya should properly utilize the available resources to satisfy the public interests and that members of the public be called upon to participate more actively in budgeting. Further, there should be established budget stabilization fund through an Act of Parliament. This fund will go a long way to enhance the practicability of

exchequer release to the spending units. Budget stabilization fund can be used to make sure that there are no delays in budget execution and programme implementation.

The study concluded that financial reporting reforms significantly influence public expenditure in County Governments of the Western Region of Kenya. The study recommended that County Governments should hasten the adoption of International Public Sector Accounting Standards and at the same time operationalize Treasury Single Account to enhance transparency and accountability in their expenditures. Further, more reforms should focus on disclosure of public sector financial information and fair reporting of service concession agreements in order to improve transparency in public expenditure.

The report proposed further fiscal decentralization measures in order to improve public service and budgeted project implementation. An efficient tax decentralization system may assist produce county income and keep a close eye on county expenditures by establishing an independent fiscal decentralization committee to oversee County spending. To guarantee that both the national and county governments remain relevant, greater budgetary decentralization should be carefully considered..

Lastly, the study recommended that County management to involve all the key stakeholders in the public procurement reforms implementation process. The involvement will promote accountability in the implementation process and enhance adoptability and overcome resistance to change and prevent conflicts from emerging during the implementation process.

5.5 Areas for Further Research

The general objective of this study was to examine influence of public financial management reforms on public expenditures in County Governments of the Western Region of Kenya.

Specifically, this study concentrated on the relationships that the budget reforms, financial reporting reforms, fiscal decentralization reforms and public procurement reforms had on public expenditures in County Governments of the Western Region of Kenya. The independent variables studied are definitely not exhaustive and hence further research could be carried out to unearth other public financial management reforms that can be applied to improve public expenditures such as Integrated Financial Management Information Systems (IFMIS), resource mobilization and allocation among others.

The study mainly focused on primary data which is based on personal opinion and may suffer from common method bias. Further studies should focus on using audited secondary data from the Controller of Budget.

The study mainly focused on the influence of public financial management reforms on public expenditures in County Governments of the Western Region of Kenya. Similar studies could be carried out in other County Governments in the Country especially city Counties such as Kisumu, Nairobi and Mombasa.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Dear Respondent,

RE: DATA COLLECTION

I am a Masters student at KCA University conducting a study titled **INFLUENCE OF FINANCIAL MANAGEMENT REFORMS ON PUBLIC EXPENDITURES IN THE COUNTY GOVERNMENTS OF THE WESTERN REGION OF KENYA**

Please fill out the questions in accordance with the instructions. The information you supply is processed with maximum confidentiality and used solely for academic purposes..

Yours Sincerely,

David Musafiri Kulova

APPENDIX II: RESEARCH QUESTIONNAIRE

PART A: DEMOGRAPHIC DATA

1. What is your gender

a) Female [] b) Male []

2. What is your age in years

i) Below 30 years []

ii) 31-35 years []

iii) 36-40 years []

iv) 41-45 years []

v) 46-50 years []

vi) 51 & above years []

3. What is your education level?

i) Certificate []

ii) Diploma []

iii) Degree []

iv) Masters []

v) PhD []

PART B: FINANCIAL REFORMS QUESTIONNAIRE

1. BUDGET REFORMS

State your level of agreement relating to the influence of budget reforms on public expenditures in the County government. Use the ratings criteria below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Table A1 Budget Reforms

Statement	5	4	3	2	1
1. There is public participation in the budgeting process					
2. There is equitable allocations of the revenues collected					
3. Budget appropriations are within expenditures lines					
4. There are budget drafting reviews by professional budget experts					
5. There are independent accounting reviews indicating budget deviations					
6. There is harmony between county executive and county assembly in budget preparation and approval as a result of budget reforms					
7. There is alignment of budgets with County Integrated Development Plans (CIDP) in the County					
8. Recurrent and development fund use matches expenditures					

2. FINANCIAL REPORTING REFORMS

State your level of agreement relating to the influence of financial reporting reforms on public expenditures in the County government. Use the ratings criteria below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Table A2 Financial Reporting Reforms

Statement	5	4	3	2	1
1. The adoption of International Public Sector Accounting Standards affects the financial accounting and reporting practices in the County					
2. There is operationalization of Treasury Single Account in the County					
3. There is timely preparation of consolidated financial statements in the County					
4.Prepared consolidated financial statements reflect county public expenditures					
5. Operationalization of Treasury Single Account affects the management of cash flow in the County					
6. Financial reporting reforms has enable various stakeholders to understand the true cost of services delivered by the county per activity thus enhancing oversight					
7. Financial reporting reforms has led to improvement in compliance with Financial Reporting standards					
8.Generally, adoption of financial reporting reforms has led to efficiency in county public expenditures					

3. FISCAL DECENTRALIZATION REFORMS

State your level of agreement relating to the influence of fiscal decentralization reforms on public expenditures in the County government. Use the ratings criteria below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Table A3 Fiscal Decentralization Reforms

Statement	5	4	3	2	1
1.Decentaization of decision-making power has improved county public expenditures					
2.There are independent financial management committees to check county expenditures					
3.County chief finance officers have absolute authority over county expenditures					

4. There is an effective tax decentralization system to help generate county revenue					
5. There is an independent fiscal decentralization committee to check county expenditures					
6. There is an effective tax decentralization system to help check county expenditures					
7. Fiscal decentralization facilitates greater economic equality as resources are spread more evenly across the country					
8. Generally, adoption of fiscal decentralization reforms has helped improve efficiency in county expenditures					

4. PUBLIC PROCUREMENT REFORMS

State your level of agreement relating to the influence of public procurement reforms on public expenditures in the County Government Use the ratings criteria below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Table A4 Public Procurement Reforms

Statement	5	4	3	2	1
1. Adoption of E-government procurement system has enhanced accountability in county public expenditures					
2. Frequent emergency tenders affects public expenditure					
3. Electronic ordering and purchasing system has improved transparency in county public expenditures					
4. Valid procurement plans are always available to guard against extreme variation in procurement expenditure					
5. Adoption of green procurement has minimized procurement costs and expenditures					
6. Use of e-procurement minimizes cost in multiple sourcing					
7. Public Procurement reforms has resulted to effective supplier quality management					
8. Generally, adoption of procurement reforms has improved efficiency in county expenditures					

PART C. PUBLIC EXPENDITURES QUESTIONNAIRE

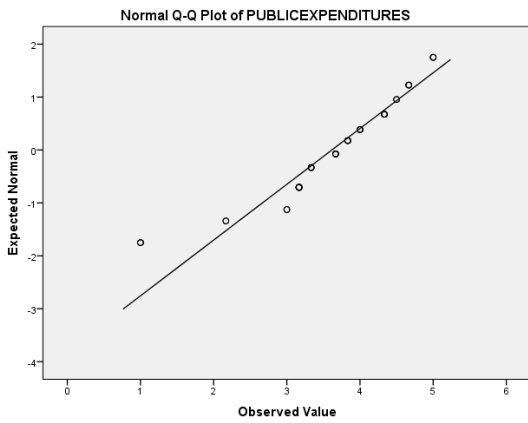
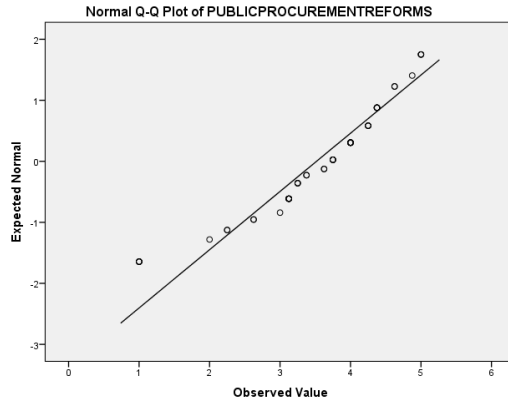
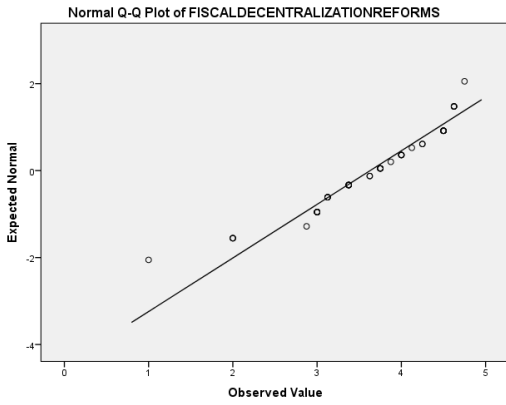
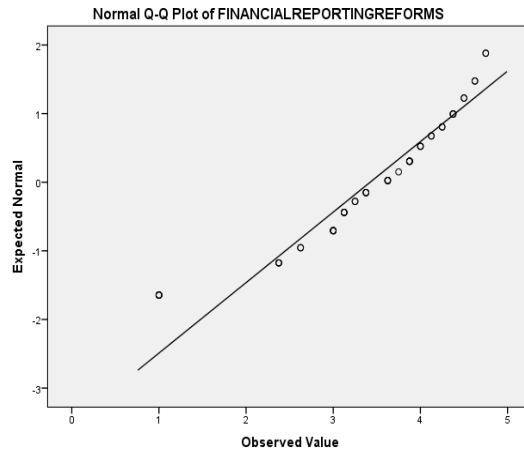
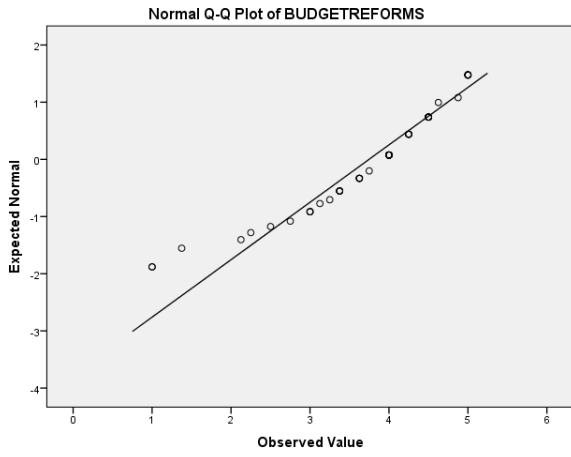
State your level of agreement relating to public expenditures in the County government. Use the ratings criteria below.

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

Table A5 Public Expenditures Questionnaire

Statement	5	4	3	2	1
1. There are efficient absorption rates for development expenditures					
2. There is efficient utilization of county resources					
3. There are efficient recurrent operations and maintenance.					
4. Development spending reflects value for money					
5. There is parity on the share of actual expenditure out of the budgeted expenditure					
6. The county's recurrent expenditure does not exceed county total revenue					

APPENDIX III: NORMALITY TESTS



APPENDIX IV: DATA COLLECTION LETTER



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SCHOOL OF GRADUATE STUDIES AND RESEARCH

KCA/SGS/Sept. 21/1

2nd September 2021

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: DAVID M. KULOVA REG: 10/01799

It is my distinct pleasure to introduce to you Mr. David Kulova who is a student in our institution pursuing a Master of Science in Commerce at the College of Business.

David is conducting a research on a topic titled: *"Influence of Financial Management Reforms on Public Expenditures in the County Governments of the Western Region of Kenya"* which is part of the requirements of the program he is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to him is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

Dr. Nyaribo Misuko

Dean, School of Graduate Studies & Research