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FACTORS AFFECTING BUDGETARY ALLOCATION IN THE COUNTY GOVERNMENTS IN KENYA

Orina, S. M.,[1] Obwogi, J.,[2] & Nasieku, T. M.[3]

[1*] MBA Candidate, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya
[2]Ph.D, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya
[3]Ph.D, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

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ABSTRACT

The general objective of the study was to determine factors affecting budgetary allocation in the county governments in Kenya. The study derived the following conclusions: Cash flows were important to budgetary allocation in counties; the county governments had reports of actual monthly cash flows, as a means of identifying patterns for monitoring cash flows. County governments departments actual cash flows were closely tracked against departments' budget allocation and major divergences investigated. Budgetary controls were important in budgetary allocation in counties; budgetary allocations were done taking into account the forecasted revenue and expenditure projections; Counties budgets contained narrative information. Human capital enhanced budgetary allocation in counties; the county governments had a budget office that coordinated and communicated information; and that the county governments had put in place a policy that all budget making staff should be trained to enhance their budget making skills. Based on the results of the study on the factors affecting budgetary allocation in counties in Kenya, the study made the following recommendations; The county governors should work closely with the national government to develop mechanisms that ensure the exchequer allocations from the national government are released on time. County governments should further develop and enhance actual monthly cash flows reporting and tracking processes. Budgetary allocations should be done based on annual development plans and that the county overall budget and budgets for county departments and agencies in the budget estimates should match the ceilings set in the budget policy statement (BPS). County governments should continue enhancing the capacities of their budget offices. County governments should put in place a policy that all budget making staff should be trained to enhance their budget making skills and ensure that this is fully implemented. In addition counties should ensure participation of county staff and other stakeholders in the budget preparation since this ensures full cooperation and commitment for making budgets successful.

Key words: *cash flows, budgetary controls, human capital, budgetary allocation*

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INTRODUCTION

A Budget is a very important component in county government planning and decision making. Almost every organization, regardless of size, complexity or sector, relies heavily on budgets and budgetary systems to achieve strategic goals (Oketa, 2013). Most public-sector entities find themselves in somewhat seriously constrained budgetary allocations in terms of resources in light of the existing and future development needs. The situation is further worsened by high pressure exerted by the more informed public to show what the public sector has achieved (Francesca & Sylvain, 2010).

The aim of budget allocations in the public sector is to manage limited financial resources to ensure economy and efficiency in the delivery of outputs required to achieve desired outcomes that will serve the needs of the community. A sound budget allocation allows government to make the best use of all available resources, including international development assistance, to improve the quality of life of society. This includes managing expenditure and raising revenue and is not merely an issue of spending more, but of maximizing the impact of public resources (Chang, 2009).

Great Britain originally adopted the practice of an annual national budget in 1787; the then parliament adopted the consolidated fund act which provided for a single general fund for receiving and recording all revenue and expenditure. This laid the basis for a modern budget system, by 1822 the chancellor of Exchequer had adopted the practice of presenting an annual budget statement to account committee for respective review of exchequer and audit act provided an independent post audit. The United State adopted the system by 1912, as the federal budget system was set up by the budget and accounting act of 1912 and by 1831, the French parliament controlled the details of appropriation (Siyanbola, 2013).

A public budget is a forecast of government expenditures and revenues for the ensuing fiscal year and also reflects the policy of the government towards the economy. The budget is so fundamental that it is describe as the single most important document of the government in any fiscal year. This is because, budget management enforces fiscal discipline, fosters macroeconomic stability, improves the portfolio of programmes by rewarding effective and efficient programmes as well as builds a culture of performance and accountability within the government and its spending units. The broad objectives of public expenditure management are; to achieve fiscal discipline, allocate resources in a way that reflect government policy priorities and deliver public service effectively and efficiently. The components of budget process include preparation, planning, execution, accounting, control, reporting, monitoring and evaluation as well as the existing legal frameworks (Silva &Jayamaha, 2012).

Presently, much consideration has been given to the strengthening of budget and their interrelationship in developing countries comprising Nigeria. The support for this has come from prominent international agencies as United Nation, International Monetary Fund, World Bank and United State Agency for International Development. All these bodies are concerned in encouraging developing and underdeveloped nations to improve their budget practice. All these show the significance attached to budget as a management process (Siyanbola, 2013).

In Kenya, the PFM Act 2012 is clear on how resources will be allocated at both levels of government. At the national level, the Central government will generate revenue mainly from taxes, bonds, and loans (internally and externally). Section 132 and 138 discusses how counties will generate revenue from loans and grants and the taxes from property and entertainment (Society for international development, 2012). Public finance is important to the relations between citizens and the Government.

There has been low public participation in Kenya in the area of public finance management in the past leading to inefficiencies and misallocation of resources (Institute of certified public accountants of Kenya, 2014).

County government's objectives are numerous while resources are limited but there is every tendency to waste or under-utilize the limited resources in the provision of services delivery. Therefore, it is vital for every serious business undertaken to produce at that possible minimum cost so as to remain in business and also achieve the corporate objectives of efficiency and stability (Mutai, 2015). In view of this, there is a necessity for every county government to do a realistic planning of their undertakings taking into consideration the limiting factors and the long term objectives. In order to achieve this, budgeting as an instrument of planning and control becomes paramount.

Modern financial management demands the review past performance when allocating new funds, and the budget should speak to how performance has been taken into account in the proposed budget (Kinuthia & Lakin, 2016). According to Wangithi (2013), the then Ministry of Finance, Planning and Economic Development attempted to make available at least 95% of the budgetary funds to spending agencies, a number of them could not spend all the cash made available. There are also weaknesses and lags pertaining as to when cash limits are issued and the when funds are actually credited to the accounts of beneficiary institutions, especially local governments. The analysis of the report revealed that many important constraints to enhanced absorption capacity relate to the efficiency of government as a whole, as well as issues internal to individual spending agencies. For some government spending agencies, particularly at the local government level, internal weaknesses in budget execution were the binding constraint. Under financial management, these weaknesses include poor cash management, inconsistent accounting practices and weak budgetary controls which includes financial management, planning processes, procurement practices, sector capacity and human-resource management.

Statement of the problem

The decision as to how to allocate limited financial and non-financial resources, in an effective and efficient manner, is a significant function in all county governments thus and this undertaking will be nearly impossible without budgeting. Without proper budget scrutiny and feedback about budgetary problems, many establishments would become insolvent. Some of the problems arise from inadequate data to formulate and implement a proper budget; and non-existence of well-defined structure, which leads to overlapping of duties. Over the few years of devolution audit reports have cited numerous instances of fraud, wastage and poor accountability. Several questions have been raised in recent years regarding the flow of funds from the national government to the counties. Counties governments have complained regularly about delays in their cash disbursements. Here again, it has been hard to understand the root cause of the problem (Kinuthia, 2017). There have been cases of money budgeted for development projects being returned to the National treasury at the end of the fiscal year. Also there is a growing concern that of the total development budget that is disbursed and spent does not reflect the level of development, poverty prevalence or access to essential services (Office of Auditor General (2014/2015).In the recent times, county governments have also performed below par, because they lack effective and efficient budgets, and budgetary control systems to satisfactorily and prudently allocate resources to meet organizational goals, and maximize performance. As a result capital allocation become misaligned and remains so, despite disapproving financial performance. Kipkemboi (2013) carried out a study of effect of budgetary

control on performance of non-governmental organizations (NGOs) in Kenya and concluded that there is a low positive relationship between budgetary controls and performance. He suggests that budgetary controls might not be the only reason for high performance; many other factors may affect the performance of an NGO. Nyambura (2014) found average performance in all the Non-governmental organizations in Kenya based on the findings in both financial and nonfinancial performance indicators which include revenue growth, community participation, dollars spending; new donor acquisition and efficiency are above average and concluded management of the organizations implements budgetary control to prevent losses resulting from theft, fraud and technological malfunction. Indeche and Ayuma (2015) concluded that through enhanced citizen participation, allocation efficiency will positively affect the budgetary allocation. Also revealed that during budgetary implementation, a proper organizational chart should be prepared properly; clearly depicting the responsibilities and duties of each level of executive thus the study concluded that enhanced citizen participation would positively affect implementation process. Therefore this research provided information on the factors affecting budgetary allocation in the county governments in Kenya.

Objective of the study

The general objective of the study was to determine the factors affecting budgetary allocation in the county governments in Kenya. The specific objectives of the study were:-

- To establish effect of cash flows on the budgetary allocation in the county governments in Kenya.
- To examine the effect of budgetary controls on the budgetary allocation in the county governments in Kenya.
- To determine the effect of human capital on the budgetary allocation in the county governments in Kenya.

LITERATURE REVIEW

Theoretical Framework

Theory of Budgeting

The theory of budgeting was advance by Hirst in 1987. It explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control. Hence the theory of budgeting is a detector of variances between organizational objectives and performance. Budgets are considered to be the core component of an efficient control process and subsequently a vital part to the umbrella concept of an effective budgetary control (Nyambura, 2014). Theory in budgeting, like much of public administration, has been of two kinds, descriptive and normative.

Theorists describe trends, sequences of events, and infer causes, paying attention to local variations as well as uniformities across cases. Normative theory advice may be based on a much narrower range of observations than descriptive theory and its proposed solutions may be based on values rather than observations. If the explanatory power of the descriptive theory is too weak, or if the advice of normative theory is not adopted by public officials or is adopted and abandoned because it does not work, the gap between theory and practice may become unacceptably(Siyanbola, 2013)

Resource Allocation Theory

Allocation of resources theory was advanced by Peteraf and Burney (2003). It is concerned with the discovery of how nations, corporate, entrepreneurs or individuals distribute financial resources through the budgeting process in order to achieve financial goals. For a corporate economic resource to achieve competitive advantage, it should have the following features; priceless, rare, imperfectly imitable and non-substitutable. This calls for budgetary control

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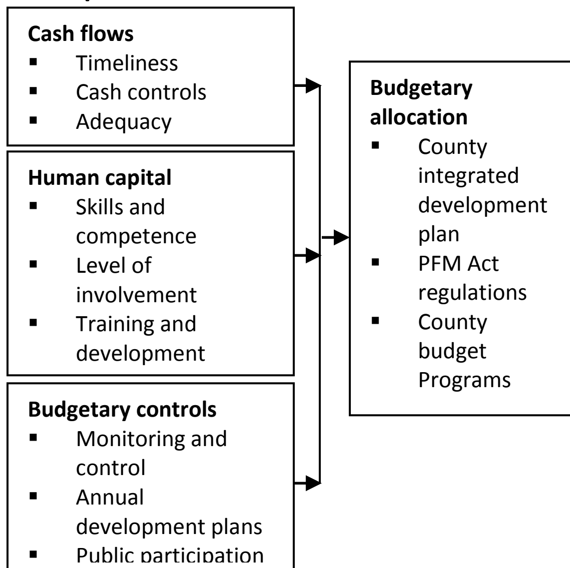
systems to allocate scarce financial resources in government institutions (Anantadjaya, 2003).

The economic concept of resource allocation is an important area of study in an organization using the invincible hand theory. Under the invisible hand theory, the allocation of resources is done through competition, supply and demand by individuals and the corporate (Peteraf, 2003). Corporate distributes financial resources through budgeting in an attempt to meet pre-determined financial targets. Therefore allocation of resources theory, help organizations in allocating financial resources at their disposal through a budgetary control system.

Conceptual Framework



Independent variables Dependent variable

Figure 1: Conceptual Framework

Source: Author (2019)

Empirical Review

Emmanuel, Oydoughan*et al* (2014), in the study on critique on cash basis of accounting and budget implementation in Nigeria ,found out that cash basis has a positive significant relationship on budget implementation, investment option and expenditure pattern in the public sector, it also revealed that the right basis of accounting when used can bring about effective budget implementation which in turns results in economic growth, development and stabilization in public sector, it can also bring about follow-up on capital projects, the application of the concept of value for money audit and observation of law of integrity in the public sector.

Chidi and Shadare (2011) quoted in(Njeru and Thuo ,2013: Kimunguyi,2015) conducted study in Nigeria focusing on challenges confronting human capital development in SMEs in Nigeria and found that budgeting among SMEs encountered challenges by the establishments not taking ownership or not being accountable, there being a lack of cooperation and/or participation and a lack of understanding of the budgeting process or what's required. This was compounded by the inability to meet, deadlines, padding their budgets/providing unrealistic numbers and sheer ignorance of the importance of budgeting by the business owners. The study was however conducted based on data collected from listed companies in Nigeria.

Lambe *et al* (2015) in their study on budget and budgetary control on government owned organization in Nigeria they suggest that the basic concept of budgeting and budgetary control involves the establishment of a goal by management that will guide it in drawing up its planned activities, quantified in financial terms as a budget. It also involves the comparison of actual performance with the established standard or goal, and if any deviations occur, corrective actions are taken.

Okpala and Chidi (2010) in their work, examined the relevance of human capital accounting to stock investment decisions .They explain that the function of human capital accounting is to provide information which affords investors opportunity to truly evaluate and understand the complete picture of an organization..Karanja (2011), critiques participation of all stakeholders in budgetary process making as too lengthy and time consuming, but will have to adhere

to public participation in budget making as it's enshrined in the 2010 Kenyan constitution.

The study by Serem (2013) on budgetary control on performance of NGOs established that there was a weak positive effect measured by R square 14.3%.The results from the study by Nyageng'o on determinants to effective budget implementation among local authorities in Kenya revealed that effective budgetary control improved performance of the local authorities. While that of Mwaura (2010), established that budgetary participation affects return on capital employed, return on assets to a great extent.

Nyambura (2014) studies on the effect of budgetary control on the effectiveness of NGOs in Kenya results revealed that NGOS have budgetary controls at different levels of the organization. The studies also revealed that majority of the NGOs have planning, monitoring and inclusion of stakeholders in the budget process. It was also found out that panning greatly contributed to performance of an organization followed by monitoring while participation of stakeholders in the budget process came last. The study concludes that most of the NGOs had the required 30% administration cost and 70% percent program costs which is a standard requirement for organizations.

Adongo and Jagongo (2013) on budgetary control as a measure of the financial performance of state corporations in Kenya among the challenges identified in the study was the failure of the budget process to focus on organizational long term goals. A majority of the respondents said this had led to undefined financial goals which could lead to negative financial performance. Lack of well-functioning accountability framework was found to affect financial performance as revealed by a majority of respondents. Managerial commitment towards budgetary controls was found to increase operational costs and consequently affecting the organizations financial performance.'

Lee and Wang (2009) undertook a study on the effect of budget allocation practices on spending behavior across three countries, the United States, Taiwan, and China (Guangdong Province) over a number of years before and after budget allocation. The study conclude that budget allocation had differential impact on the spending growth rate in different countries (regions): there was a significant relationship between budget allocation and spending growth in Taiwan. Nevertheless, the regression coefficients were negative for the United States and China but not statistically significant.

METHODOLOGY

The study employed descriptive research design. The targeted population consisted of the senior county officers who are involved in the budget making process, they include: County executive committee members for Finance, county chief officers for finance, head of county treasuries, county directors of county budget and principal finance officers. The population consisted of 50 respondents from western counties in Kenya from the County Governments of Nyamira, Kisii, Migori, Siaya, Homabay, Kisumu, Kakamega, Bungoma, Busia, and Vihiga. The study used the census. The study used primary data. A questionnaire was used in the collection of data.

Descriptive information was analyzed using dominant responses technique to determine common reactions and consistencies that cut across majority of the respondent's. Statistical information was analyzed through statistical tools such as linear regression model, correlation analysis and ANOVA to give inferences to the data obtained.

FINDINGS

Descriptive Analysis for Cash Flows

The analysis in this section is in line with the first objective of the study which sought to establish the effect of cash flows on the budgetary allocation in the

county governments in Kenya. The descriptive results were shown in Table 1.

Table 1: Descriptive Statistics for Cash Flows

Statement	SA %	A %	N %	D %	SD %	Mean	S.D
The exchequer allocations from the national government are released on time according to the senate schedule to enable county government budget for their needs expeditiously.	0.0	20.0	43.3	26.7	10	3.27	1.112
The county government's previous expenditure and revenue reports are used to develop cash forecasts for current and prospective cash flows.	16.7	26.7	33.3	23.3	0.0	3.37	1.033
The county government has report of actual monthly cash flows, as a means of identifying patterns for monitoring cash flows.	0.0	56.7	36.7	3.3	3.3	3.47	.730
The county government departments actual cash flows are closely tracked against departments' budget allocation and major divergences investigated.	0.0	50.0	43.3	6.7	0.0	3.43	.626
The county government has aligned cash flow projections with the budget showing how much it expects to take in by month, and how much it expects to spend by month.	0.0	40.0	43.3	16.7	0.0	3.73	1.081

Key: N=46, SD=Strongly, Disagree D=Disagree, N=Neutral, A=Agree, SA= Strongly Agree, S.D=Standard Deviation

From table 1 on cash flows as a factor affecting budgetary allocation 20% of the respondents agreed that cash was released from the National government according to the senate schedule, 43.3% remained neutral, and 16.7% disagreed while 10% strongly disagreed with a mean of with mean of 3.27 and standard deviation of 1.112. This study indicated that county governments experiences delays. As to whether the county Government's previous expenditure and revenue reports were used to develop cash forecasts for current and prospective cash flows 16.7% strongly agreed, 26.7 agreed, 33% were neutral while 23.3% disagreed with mean of 3.37 and standard deviation of 1.033.On whether the county government had report on actual monthly cash flows, as a means of identifying patterns for monitoring cash flow, majority of the respondents 56% agreed of having a report to identify patterns for monitoring cash flows with mean of 3.73 and standard deviation of 1.081.50% of the respondents opined that county government departments actual cash flows are closely tracked against departments' budget allocation and major divergences investigated while 43% remained neutral with mean of .3.43 with standard deviation of 0.626. Finally, 40% of the respondents agreed that county governments have aligned spending with budgetary allocation while 43.3 % remained neutral. According to Nazareen (2017) it is important to minimize the interval between the time when cash is received and the time it is available for carrying out expenditure programs. Revenues need to be processed promptly and made available for use as well as basis of accounting when used can bring about effective budget implementation which in turns results in economic growth.

Descriptive Analysis for Budgetary Controls

The analysis in this section is in line with the second objective of the study which sought to examine the effect of budgetary controls on the budgetary allocation in the county governments in Kenya. The descriptive results were shown in Table 2

Table 2: Descriptive Statistics for Budgetary Controls

Statement	SA %	A %	N %	D %	SD %	Mean	S.D
Budgetary allocations are done based on annual development plans	20.0	30.0	33.3	16.7	0.0	3.53	1.008
The county overall budget and budgets for county departments and agencies in the budget estimates match the ceilings set in the budget policy statement (BPS).	26.7	30.0	26.7	16.7	0.0	3.67	1.061
The county's budget contains narrative information about how past challenges in budget allocation is being addressed through the coming year's budget.	10.0	60.0	26.7	0.0	3.3	3.73	.785
The county government budgetary allocation process incorporate views of all stake holders through a public participation process.	16.7	56.7	16.7	10.0	0.0	3.80	.847
The budgetary allocations are done taking into account the forecasted revenue and expenditure projections.	20.0	56.7	20.0	3.3	0.0	3.93	.740

Data obtained in Table 2 of the study indicated that county governments took into account development plans when allocating budgets with majority of respondents 20% strongly agreeing and 30% agreeing, 33.3% remained neutral while 16.6% disagreed with a mean of 3.53 and standard deviation of 1.008. As to whether county governments overall budget and budgets for county departments and agencies in the budget estimates match the ceilings set in the budget policy statement (BPS), majority of the respondents agreed with 26.7% strongly agreeing and 20% did also agreeing with mean of 3.67 and standard deviation of 1.061. Majority of the respondents 60% agreed that county budgets contained narrative information about how past challenges in budget allocation was being addressed through the coming year's budgetary allocation with mean of 3.73 and standard deviation of. 785. The study further revealed that the county government budget process incorporated views from the stakeholders with 56.7% of the respondents agreeing with mean of 3.80 and standard deviation of. 847. Most county governments took into account forecasted revenue and expenditure projections when allocating county government budget as shown with mean of.3.93 and standard deviation of.740. The results conquerred with Mutai (2015) found out that majority of the respondents were in agreement that; budgetary control integrates the organization's strategic planning with budgets and processes of cost control.

Descriptive Analysis for Human Capital

The analysis in this section was in line with the second objective of the study which sought to determine the effect of human capital on the budgetary allocation in the county governments in Kenya. The descriptive results were shown in Table 3.

Table 3: Descriptive Statistics for Human Capital

Statement	SA %	A %	N %	D %	SD %	Mean	S.D
The approved county departmental budget allocations are shared with all concerned employees to ensure it is understood.	26.7	33.3	33.3	6.7	0.0	3.80	.925
The budget staff working with the county government has the requisite qualifications and experience to perform their roles in budgetary allocation process.	20.0	63.3	13.3	3.3	0.0	4.00	.695

Participation of county staff in the budget allocation ensures full cooperation and commitment for making budgets successful.	30.0	30.0	23.3	16.7	0.0	3.73	1.081
The county government has a budget office that coordinates and communicates information regarding the budgetary allocations to all county government departments.	20.0	70.0	6.7	3.3	0.0	4.07	.640
The county government has put in place a policy that all budget making staff should be trained to enhance their budget making skills.	33.3	53.3	13.3	0.0	0.0	4.20	.664

These results were a confirmation to other studies that had been carried out in this area. From the findings, 63.0% of the respondents agreed that the budget staff working with the county government has the requisite qualifications and experience to perform their roles in budgetary allocation process with a mean of with mean of 4.00 and standard deviation of .695. This concurred with the findings of Bowen et al. (2009) and Chidi and Shadare (2011) who found that the skills that managers had concerning budgeting had an effect on the budgeting process. The study further revealed 70% county governments has a budget office that coordinated and communicates information regarding the budgetary allocations to all county government departments with mean of 4.07 and standard deviation of .640. These results were in line the study done by Silva &Jayamaha (2012) that employees played an integral role in the process of planning, monitoring, control and evaluation of budget implementation which contributes to accountability on the usage of budget.

Descriptive Analysis for Budgetary Allocation

The analysis in this section is in line with the dependent variable which sought to establish the perceptions held by the respondents regarding budget allocation in the Kenyan counties. Table 4 showed the descriptive results.

Table 4: Descriptive Statistics for Budgetary Allocation

Statement	SA %	A %	N %	D %	SD %	Mean	S.D
The county budget making staff uses program based budgeting with clear objectives and indicators when allocating county funds.	23.3	46.7	23.3	0.0	6.7	3.80	1.031
The county integrated development plan contains information on development priorities that inform the annual budget process, particularly the preparation of annual development plans and the annual budget estimates.	16.7	70.0	10.0	3.3	0.0	4.00	.643
At the budget preparation stage budgetary allocations are classified as either recurrent and development budget.	23.3	63.0	10.0	3.3	0.0	4.07	.691
The county government allocates the budget according to the constitution and the supporting public financial management (PFM) regulations.	30.0	50.0	13.3	6.7	0.0	4.03	.850
The county government makes a provision in the budget for training staff on the application of the law in the budget relating to budgetary allocations.	53.3	40.0	6.7	0.0	0.0	4.47	.629

The data obtained as shown in Table 4 above indicated that the county budget making staff uses program based budgeting with clear objectives and indicators when allocating county funds with 23.3 % and 46.7% strongly agreeing and agreeing respectively while 23.3% remaining neutral with mean of 3.80 and standard deviation of 1. 031. The county integrated development plan contains information on development priorities that inform the annual budget process, particularly the preparation of annual development plans and the annual budget estimates with 70% respondents agreeing with a mean of 4.00 and standard deviation of .643 as shown above. At the budget preparation stage budgetary allocations were classified as either recurrent and development budget with majority of respondents 63% agreeing with mean of 4.07 and standard deviation of 691. The county government allocated the budget according to the constitution and the supporting public financial management (PFM) regulations with 30% and 50% strongly agreeing and agreeing respectively with mean of 4.03 and standard deviation of 850. The county government made a provision in the budget for training staff on the application of the law in the budget relating to budgetary allocations with 53.3% majority of the respondents affirming so with mean of 4.47 and standard deviation of .629. This study was in harmony with priority based budgeting theory advanced (Kavanagh, Johnson and Fabian, 2011), which explained that the practice of developing budgets based on the relationship between the level of funding for a program and the expected results from that program. The philosophy of priority-driven budgeting is that resources should be allocated according to how effectively a program or service achieves the goals and objectives that are of greatest value to the community. Also this study conquerred Indeche and Ayuma (2015) who found that allocation efficiency positively affects the budgetary allocation enhanced citizen participation while allocation efficiency positively affected the budgetary allocation. The study depicts that public financial management regulations act of 2012 was being followed and practiced by the County governments.

Inferential Analysis

This study majorly emphasized on factors affecting budgetary allocations in the Western Kenyan counties. In particular, the factors examined in this study include cash flows, budgetary controls and human capital. Correlating each of the said factors with Budgetary Allocation enabled the researcher to determine the relationships between each independent variable and the dependent variable of the study. Further, the researcher did a multiple regression analysis to assess the relationship between the various factors and budgetary allocation.

Relationship between Cash Flows and Budgetary Allocation

Table 5 outlines the results of correlation analysis between Cash Flows and Budgetary Allocation.

Table 5: Correlation between Cash Flows and Budgetary Allocation

		Budgetary Allocation	Cash Flows
Budgetary Allocation	Pearson Correlation	1	.492***
	Sig. (2-tailed)		.006
	N	46	46
Cash Flows	Pearson Correlation	.492**	1
	Sig. (2-tailed)	.006	
	N	46	46

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

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The Pearson (r) correlation coefficient showed a positive and significant relationship between Cash Flows and Budgetary Allocation (r = 0.492; p < 0.05). This means that as Cash Flows increase there is an increase in Budgetary Allocation in County Governments.

Relationship between Budgetary Controls and Budgetary Allocation

Table 6 outlines the results of correlation analysis between Budgetary Controls and Budgetary Allocation.

Table 6: Correlation between Budgetary Controls and Budgetary Allocation

		Budgetary Allocation	Budgetary Controls
Budgetary Allocation	Pearson Correlation	1	.602**
	Sig. (2-tailed)		.000
	N	46	46
Budgetary Controls	Pearson Correlation	.602**	1
	Sig. (2-tailed)	.000	
	N	46	46

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

The findings in Table 6 revealed that the relationship between Budgetary Controls and Budgetary Allocation was strong, positive and statistically significant (r = 0.602; p < 0.05). This means that as Budgetary Controls by County Governments increase, there is an increase in Budgetary Allocation in counties.

Relationship between Human Capital and Budgetary Allocation

The findings in Table 7 revealed that the relationship between Human Capital and Budgetary Allocation was strong, positive and statistically significant (r = 0.510; p < 0.05). This means that as Human capital in County Governments increase, there was an increase in Budgetary Allocation in counties.

Table 7: Correlation between Human Capital and Budgetary Allocation

		Budgetary Allocation	Human Capital
Budgetary Allocation	Pearson Correlation	1	.510**
	Sig. (2-tailed)		.000
	N	46	46
Human Capital	Pearson Correlation	.510**	1
	Sig. (2-tailed)	.000	
	N	46	46

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

Regression Analysis

Table 8 presents the coefficients of model fitness on how various factors explain budgetary allocation.

Table 8: Model Summary of Budgetary Allocation and Combined Independent Variables

Model	R	R2	Adjusted R2	Std. Error of the Estimate	Durbin Watson
1	0.756a	0.571	0.502	0.32637	1.623

a. Predictors: (Constant), Cash Flows, Budgetary Controls, Human Capital

b. Dependent Variable: Budgetary Allocation

From the Model Summary Table 8, 57.1% (R^2) of the total variability in the dependent variable (County Budgetary Allocation) can be explained by the independent variables (Cash Flows, Budgetary Controls and Human Capital). This therefore meant that other factors not studied in this research contributed 42.9% of the effect on Budgetary Allocation in the County Governments in Kenya. Therefore, further research should be conducted to investigate the other factors (42.9%) that affect Budgetary Allocation in County Governments in Kenya. R is the correlation coefficient which shows the relationship between the study variables. The findings show that there was a strong positive relationship between the study variables as shown by R which is the correlation coefficient of 0.756.

The ANOVA Table 9 shows that the model was statistically significant at 95% degree of confidence ($F = 8.316$; $p < 0.05$).

Table 9: ANOVA Table of Budgetary Allocation and Combined Independent Variables

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.543;	3	.886	8.316	.000b
	Residual	2.663	42	.107		
	Total	6.206	45			

a. Dependent Variable: Budgetary Allocation

b. Predictors: (Constant), Cash Flows, Budgetary Controls, Human Capital

Table 10 showed the regression coefficients of the individual independent variables. The results indicate that all the independent variables are significant in explaining the Budgetary Allocation in counties in Kenya. This leads us to conclude that all the variables have a positive influence on budgetary allocation in counties in Kenya.

Table 10: Regression Coefficients

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.872	.795		1.097	.000
	Cash Flows	.328	.105	.468	3.133	.004
	Budgetary Controls	.322	.226	.254	1.421	.018
	Human Capital	.314	.218	.285	1.443	.011

a. Dependent Variable: Budgetary Allocation

The outcomes of the regression analysis were interpreted using the following regression function:

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Where Y, X_1, X_2 and X_3 represented Budgetary Allocation, Cash Flows, Budgetary Controls and Human Capital respectively.

The regression results were therefore interpreted as follows:

$Y = 0.872 + 0.328X_1 + 0.322X_2 + 0.314X_3$

The regression equation above established that holding Cash Flows, Budgetary Controls and Human Capital constant, Budgetary Allocation will be 0.872. The findings presented also shows that taking other independent variables at zero; a unit to increase in Cash Flows will lead to 0.328 increases in Budgetary Allocation. This study is supported by Van Horne (2010) who argues that cash flow control involves managing the monies of the firm in order to maximize

cash availability. It included policies and procedures adopted by the management of an entity to assist in achieving the management policies, laws and regulations of cash, the prevention and detection of fraud and error, promoting orderly and efficient operations.

The study also found out that a unit increase in Budgetary Controls led to 0.322 increases in budgetary allocation of the county governments. This study was in line with Allen (2007) who opined that if actual expenditures do not conform to the levels specified in the budget, or if the real spending decisions are made outside of the budget framework, it is of little value for the government to go through the rituals of deciding what should be in the budget. Only when it controls spending can the budget be effectively applied to larger political, economic and management purposes.

CONCLUSIONS

Cash flows are crucial in budgetary allocation in counties; the county governments have reports of actual monthly cash flows, as a means of identifying patterns for monitoring cash flows. The study further concludes that county governments departments actual cash flows are closely tracked against departments' budget allocation and major divergences investigated. This study was supported by Van Horne (2010) who argues that cash flow control involves managing the monies of the firm in order to maximize cash availability. It includes policies and procedures adopted by the management of an entity to assist in achieving the management policies, laws and regulations of cash, the prevention and detection of fraud and error, promoting orderly and efficient operations.

Budgetary controls are important in budgetary allocation in county governments; budgetary allocations are done taking into account the forecasted revenue and expenditure projections; and that the counties budgets contain narrative information about how past challenges in budget implementation are being addressed through the coming year's budget. This study concurred with Lambe *et al.*, (2015) who opined that budgeting of financial resources allocation entails the establishment of goals by the management of an organization and designing a process which serves as a framework within which an organization effectively articulates overall planned activities.

Human capital enhances budgetary allocation in counties; the county governments have a budget office that coordinates and communicates information regarding the budgetary allocations to all county government departments; and that the county governments have put in place a policy that all budget making staff should be trained to enhance their budget making skills. The study is in line with a study done by Batool and Batool(2012) whose study concluded that training is one of the main functions that directly contribute to the development of employees and that the organizations investing considerably in training justify their investment by the contribution training makes to improve individual and firm performance.

RECOMMENDATIONS

County governors should work closely with the national government to develop mechanisms that ensure the exchequer allocations from the national government are released on time according to the senate schedule to enable county governments to budget for their needs expeditiously. Secondly, county governments should further develop and enhance actual monthly cash flows reporting and tracking processes, as a means of identifying patterns for monitoring cash flows.

Budgetary allocations should be done based on annual development plans and that the county overall budget and budgets for county departments and agencies in the budget estimates should match the ceilings set in the budget policy statement (BPS).

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Secondly, counties should continue ensuring that the budgetary allocations are done taking into account the forecasted revenue and expenditure projections and that the counties budgets contain narrative information about how past challenges in budget implementation are being addressed through the coming year's budget.

County governments should continue enhancing the capacities of their budget offices to enable these offices to better coordinate and communicate information regarding the budgetary allocations to all county government departments. Secondly the county governments should put in place a policy that all budget making staff should be trained to enhance their budget making skills and ensure that this is fully implemented. Furthermore counties should ensure participation of county staff in the budget preparation since this ensures full cooperation and commitment for making budgets successful.

Suggestions for Further Research

The study suggests the same study to be done in other counties in Kenya not covered in the study and elsewhere outside the geographical realm of this study so as to validate the findings. Another study can be done to capture other factors that influence budget allocation in counties since the study established that other factors not studied in this research contribute 42.9% of the effect on budgetary allocation in county governments in Kenya.

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