



EFFECTS OF BUREAUCRACY ON DISBURSEMENT OF DEVELOPMENT FUNDS IN COUNTY GOVERNMENTS IN KENYA

Namaswa, A. N., & Juma, D.

EFFECTS OF BUREAUCRACY ON DISBURSEMENT OF DEVELOPMENT FUNDS IN COUNTY GOVERNMENTS IN KENYA

Namaswa, A. N.,^{1*} & Juma, D.²

^{1*} MBA (Finance) Candidate, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

²Ph.D, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

Accepted: May 25, 2019

ABSTRACT

The study investigated the effects of bureaucracy disbursement of development funds by the County Governments in Kenya. The study adopted a descriptive survey research design where the target population was a census of 62 finance-related employees of the County Government of Bungoma. Data was collected using questionnaires as the primary data collection method. The study used census and purposive sampling procedure to identify the county employees working in finance departments. Data was analyzed using Statistical Package for the Social Science (SPSS) to ascertain the level of significance of each variable and test the hypotheses. According to the results, bureaucracy has no statistical significant influence on fund disbursement in county governments in Kenya. The study revealed that bureaucracy had a great influence of fund disbursement for county governments in Kenya. From the study it was concluded that efficient funds disbursement in county government is a major factor leading to projects success. The responsibility for county government development and maintenance is fragmented among different government Ministries and departments. This fragmentation has led to inadequate coordination among the various players' thereby undermining proper maintenance and drop of county government in the county. The study thus recommended that policies should be reviewed to reduce bureaucracies and fund allocation be fast tracked to ensure funds reach their intended recipients.

Key Words: Bureaucracies, Fund Allocation, County Governments in Kenya

CITATION: Namaswa, A. N., & Juma, D. (2019). Effects of bureaucracy on disbursement of development funds in county governments in Kenya. *The Strategic Journal of Business & Change Management*, 6 (2), 2079 –2087.

INTRODUCTION

One of the key reforms of the constitution is the establishment of devolution through the Country's government. Devolution is the transfer of powers from the central government to local units. Kenya consisting of forty seven counties is the engine of country's economic development. Over the last two decades an increasing number of countries have decentralized their internal governance structures. Across the Atlantic in Europe where there has been a long history of centralized government, a number of countries including Belgium, Italy, Spain, and the United Kingdom have also begun to decentralize policy-making and fiscal competencies, in a more asymmetric way, to sub-national units. The United States, for example, established Federal Government handing back numerous competencies to the states (Oates 1999). In the case of New Zealand government's attempt at devolving strategic planning and decision making to more appropriate local responses to achieve sustainable development (Ericksen, Berke, Crawford, & Dixon, 2003; IPS, 2006)The RMA and LGA are both significant pieces of legislation in New Zealand (Ericksen et al., 2003; IPS, 2002)

In African context, Ethiopia is an important case study because it is arguably the most devolved Country in Africa, and provides a counterfactual example to the view that decentralization requires complementary capacity at the centre and the local level. In the case of Uganda, the National Resistance Movement (NRM) government introduced decentralization in 1986 to promote good governance and Democratic accountability. From the outset, the government recognized the fact that good local governance entails creating conditions that would bring about economic vibrancy, social freedom, social justice and political capacity.

County government is that part of the whole government of a nation or state which is

administered by authorities subordinate to the state authority, but elected independently of control by the state authority, the counties of Kenya are geographical units envisioned by the 2010 Constitution of Kenya as the units of devolved government.

As Kenya starts to implement devolution, debate rages on whether funding from National Exchequer is adequate or not. Unfortunately, serious debate is yet to start on effective public financial management (PFM) at the county level a necessary condition for successful management of public sector and the economy. Kenyans need to engage the key players in PFM in order to ensure the country lays down a sound foundation for sustainable devolution. Appreciating the importance of PFM and informed by past abuses, the Constitution provides principles and criteria that apply to all public entities and to all aspects of PFM (Chapter 12).

Statement of the Problem

International crisis in public finances have made financial sustainability a key issue for many Governments in the world. Government action is motivated primarily by the public interest. A desire to complete development projects on time can be enhanced or hampered by fund disbursement. Stenstrom (2012) observes that little is known about the factors that motivate politicians to be involved in decisions regarding finances in their jurisdictions and that their funding decisions were based on political and economic factors. Bolívar, Galeraa, Muñoz and Subirés (2015) studied risk factors and drivers of financial sustainability in Local Government and noted that economic and demographic factors contribute immensely to it. Troyan and Hall (2019) have recently studied the factors determine federal spending on environmental goods.

In Kenya, several government funded projects have stalled; others have been completed but not in line with the intended specifications while others exceed

the stipulated completion periods. These have largely been affected by issues related to delays in fund disbursement, politics and so on. Streams of studies in Kenya have focused on a number of factors. Chirchir, Sang and Mibei (2017) studied Adequacy of Government Funding on the Implementation of Subsidized Public Secondary Education Public Secondary Schools Disbursement processes. Chilibasi (2011) studied factors influencing cost effectiveness of constituency development fund in Kaloleni constituency Kenya. Ngugi and Wanyonyi (2018) looked at factors influencing performance of donor funded projects in Kenya. Kariithi and Mbugua (2018) addressed factors influencing implementation of county development funded projects in Kiambu county, Legishion' Wahome, Kiplagat (2013) studied Factors Affecting Disbursement of Public Funds for Rural Road Projects in Nakuru County, Kalola and Kavale (2017) have addressed factors affecting successful implementation of Government funded Projects in Technical Institutions in Garissa County. The foregoing studies show that several factors have been explored from various perspectives but the literature does not capture the county government gap. Most of the studies focus on youth funds and constituency development fund matters. The current study therefore attempted to identify how bureaucracy affects county government disbursement of funds in Kenya.

Research Objectives

The general objective of the study was to determine the effects of bureaucracy on disbursement of development funds in County Governments in Kenya

Research hypotheses

H₀₁: Bureaucracy does not significantly influence fund disbursement in county governments in Kenya

LITERATURE REVIEW

Theoretical Review

Bureaucratic Theory

Bureaucratic Theory was developed by a German Sociologist and political economist Max Weber (1864-1920). According to him, bureaucracy is the most efficient form of organization with a well-defined line of authority. It has clear rules and regulations which are strictly followed. The characteristics or features of bureaucratic organization include a high degree of division of labour and specialization, a well-defined hierarchy of authority, it follows the principle of rationality, objectively and consistency, there are formal and impersonal relations among the member of the organization, interpersonal relations are based on positions and not on personalities and there are well defined Rules and Regulations.

In the study the theory was adopted because the constitution of Kenya and relevant laws pressure that the legal structures and channels for funds disbursement are well structured and appropriate in enhancing disbursement of funds. The theory however had limitation in that the presumption in law does not guarantee that all individuals and institution involved in the disbursement chain will strictly adhere to it.

Review of study variables

Bureaucracy and disbursement of funds

Bureaucracy is the collective organizational structure, procedures, protocols, and set of regulations in place to manage activity, usually in large organizations and government. As opposed to adhocracy, it is presented by standardized procedure that guide the execution of most or all processes within the body; formal division of powers; hierarchy; and relationships, intended to anticipate needs and improve efficiency. ADB (2009) asserts that there are procurement delays partly due to application of GOK procurement procedures which are sometimes

inconsistent with donor rules and delays in responding to bank inquiries.

Certainly, Kenyan society has undergone transformation over the past decades but it remains a communal society where members of the extended family have expectations of their relatively more well-to-do members. This will continue to be as long as high unemployment, low wages and signs of poverty ravish the citizenry. The lucky ones that are able to improve their socio economic status owe it to the rest of the family to share their fortune. According to African Association for Public Administration and Management (2008), part of the problem in the relatively unsatisfactory performance of the bureaucracy in the development front, since independence has to do with problems of design. Since independence, the inherited centralized administrative system has failed to give way to a flexible system capable of adjustments and readjustments depending on the needs at various points of implementation.

Bureaucratic reform is a buzzword to show how government is responding to external changes and public demand for effective, efficient, and professional bureaucracy. This characteristic is contrary to the paradigm of new public management. In this model, the principles of competition, delegation, performance, and responsiveness are utilized to regulate the bureaucracy's behavior and to stimulate the increase in the performance outcomes (Robinson, 2015). Bureaucracy apparatus need to be continuously watched to control their behavior that tends to be oriented to their own interest. Control over bureaucracy becomes a precondition to overcome the inefficiency of the organization and corruption which are considered as the cause of the dysfunction of bureaucracy, which in turn will affect the economic growth. Mwega (2009) notes that both GOK and donor procurement regulations should be harmonized to eliminate conflicts that normally arise during their application.

In order to control bureaucracy, Peters, (2002) has suggested utilizing the market mechanism, by giving organizations a chance to provide some kinds of service like those provided by bureaucracy. Through this practice, bureaucracy is driven to work more effectively and efficiently because it will always face its competitor. The starting point to analyze the practice of governmentality is to identify a certain situation in which a regulating activity started to be questioned or regarded as a problem Dean, M. (2010). There is loss of between 15-24 months of project implementation time due internal processes which are dominated by bureaucracies in government systems which interfere with budget implementation.

Counties and Disbursement of Development funds

Disbursement of funds may be defined as the release of funds from one entity, in this case the donor, to an appointed beneficiary of the borrower. These funds are usually in form of loan, grant or mixture of both. The disbursement process involves a donor making a commitment to release funds after loan approval (Kengara, 2014).

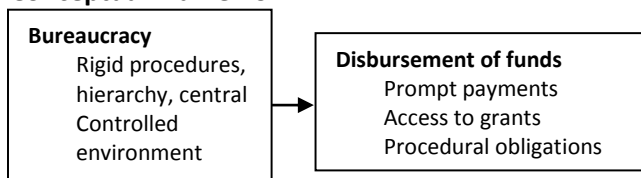
The flow of donor funds is usually expected to be a straight forward process. However, this is not the case. The process is much subjective and complex in nature thereby resulting in delays in receipt of funds (Kanbur, 200). There have been recent outcries from counties regarding government's ways of disbursing funds in Kenya. At one point, the Counties had even opted for locally collected revenues and bank loans to service operations as cash crunch bit the devolved units. Governors warned that failure by the national treasury to release funds would cripple their operations. This has been a common phenomenon in Kenya since the set in of devolution.

Nkamelu (2011) in a study conducted in Botswana between 1990 and 2007, established that at inception of a project, there was considerable delay between the time of loan commitment and application for first

disbursement of funds. Soumare and Gouhou (2009) points out that a delay in commencement of the project impacts on performance of the project in several ways including staff leaving for other opportunities that may arise. Donkor (2011) observes that governments pay a lot of money in form of interest due to delayed payments to contractors and should be committed in managing projects to ensure that there is adequate flow of funds in order to avoid delays in project commencement especially counterpart funds provision. This increases project costs and disrupts budget implementation as these were never factored in budgets and in effect are ineligible expenditures.

According to Bagoole (2011), a weak monitoring system contributes to incidences of unprofessional conduct and disclosure of false information which translates to wide variation in quality hence poor utilization of funds disbursed. A delay in commencement of implementation may impact adversely on its performance in several ways including high final financial costs due to escalation of unit prices for goods and services.

Conceptual Framework



Independent Variable Dependent Variable

Figure 1: Conceptual Framework

Source: Author (2019)

Empirical Review of Literature Related to the Study

According to the constitution of Kenya 2010, Kenya has a total of 47 counties. The New Constitution provides that each year, a minimum amount of all the revenue raised nationally shall be disbursed to the Counties. The formula used in the disbursement has two components. The first component measuring at least 15% of national revenue, was shared out to all the 47 Counties, and factors the size, population,

area, poverty levels etc., of a County. The second component measuring a fixed 0.5% of national revenue was shared between those Counties considered to have sizeable areas within them that are classified as marginalized. According to Chabota *et al.*, (2008), time, quality, and budget on national development are a universal phenomenon and county government has no exception.

The main benefit associated with disbursements of funds to county is economic efficiency, which rests on two assumptions. First, it assumes that a group of individuals who reside in county possess tastes and preference patterns that are homogenous and that these tastes and preferences differ from those of individuals who live in other counties. And second, it assumes that individuals within a county have a better knowledge of the costs and benefits of public services of their county (Burk head & Miner 1971).

In Bolivia disbursements of funds finds that investment patterns in human and capital of social service changed significantly after decentralization, the smallest and poorest counties invested in the highest priority projects (Faguet, 2004). In India which started county government in the 1990s has made great progress in education provision (World Bank, 2004). Gross enrolment rates in the lower secondary schools increased from 54 percent to 61 percent and the gains were significant among girls with an increase from 45 to 56 percent. As for China, it made great strides in mobilizing and diversifying its resources for education. Finally, for Chile, municipal financial autonomy has shown to be associated with lower inequity between schools in the same municipality (di Gropello 2004). Delay in fund disbursements to the county can give rise to disruption of work and loss of productivity, late completion of projects, increased time related costs and third party claims. Methods of minimizing funds delays can be established when causes of delays are identified thus help avoid the delay in general.

METHODOLOGY

The researcher adopted a descriptive survey research design that uses quantitative approach. Data was collected using questionnaire as the primary method. Primary method was more appropriate since it provided adequate information on disbursement of funds to the county. Data was collected by structured questionnaire which was administered to finance related employees of Bungoma County. The target population was Finance Employees of Bungoma County which had a population of 40 employees, but within the County there were 11 Constituencies each having 2 Finance employees which sum up to 22, thus making a whole target population of 62 Finance Employees. The reason for choosing Finance employees was because they are more linked to and have knowledge regarding funds disbursement in Bungoma County. The primary source of data collection for the research was in form of structured questionnaire. This questionnaire was to be prepared

and administered to the respondents. Data collected was coded, keyed in the computer and analyzed with the aid of the Statistical Package for Social Science (SPSS) computer software for Windows. The study employed descriptive and inferential statistics. Correlations were used to establish the desired relationships.

FINDINGS

This section presented the findings based on the research objective. Further we presented findings on how bureaucracy affects disbursement of funds. The findings were measured on a 5-point Likert scale with 5 – Strongly Agree; 4 - Agree; 3 - Unsure; 2 – Disagree; 1 – Strongly Disagree

Bureaucracy and Disbursement of Funds

Table 1 showed the mean and standard deviation of the statements from respondents in relation to bureaucracy and disbursement of funds

Table 1: Bureaucracy and Disbursement of Funds

	<i>SA</i>	<i>A</i>	<i>N</i>	<i>D</i>	<i>SD</i>	<i>Mean</i>	<i>Standard deviation</i>
We always follow rigid guidelines on fund disbursement as provided for by law.	25	20		4	3	4.08	1.064
All financial decisions must be approved by those in authority.	30	20	2			4.35	.556
Sections have minimal financial control on matters development.	10	30	7	2	3	4.29	.848
Everyone’s roles in the disbursement process are clearly defined and there are no role confusions	30	20	2			4.09	.958
Sometimes decisions are delayed when members of the hierarchy have not acted on fund documents	20	20	10	2		3.04	1.328

The findings of the study indicated that majority of the respondents agreed that the county staff always followed rigid guidelines on fund disbursement as provided for by law (4.21), All financial decisions must be approved by those in authority. (4.15), Sections had minimal financial control on matters development. (3.67) and Everyone’s roles in the disbursement process were clearly defined and there were no role confusions (3.62) which strongly affected disbursement of funds. However, the

respondents were uncertain that Sometimes decisions were delayed when members of the hierarchy had not acted on fund documents. The study attributed this to the nature of bureaucratic systems in most government institutions a factor which led in the clamors for devolution.

Disbursement of Funds to County Governments

Table 2 showed the mean and standard deviation of the statements from respondents in regard to disbursement of funds to County Governments.

Table 2: Disbursement of Funds to County Governments

	SA	A	N	D	SD	Mean	Standard deviation
We always release funds for development.	20	31	0	1		4.15	1.144
County projects have unlimited access to funds, grants or loans.	10	30	7	3	2	4.54	.576
We provide timely disbursement of county cash for development	20	20	5	7		3.79	.997
Our staff follows and meet all procedural obligations for fund disbursement without fail.	10	25	2	10	5	4.54	.576
The county finance staff commit to ensure all promises relating to finances are given out on time.	20	27	0	3	2	4.12	.855

The findings of the study indicated that respondents strongly agreed that County projects had unlimited access to funds, grants or loans (4.54) and their staff followed and met all procedural obligations for fund disbursement without fail (4.54) thus determining

disbursement of funds, they agreed that they always released funds for development (4.15) as well as the county finance staff committed to ensure all promises relating to finances (4.12). However, the respondents were slightly uncertain on our timely disbursement of county cash for development (3.79).

Inferential Analysis

Table 3: Linear regression results: Bureaucracy and Fund Disbursements

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.824 ^a	.680	.673	.747

a. Predictors: (Constant), Bureaucracy and Fund Disbursement

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.187	1	59.187	106.110	.000 ^b
	Residual	27.890	50	.558		
	Total	87.077	51			

a. Dependent Variable: Disbursement of funds

b. Predictors: (Constant), Bureaucracy and Fund Disbursement

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.764	.540		-3.269	.002
	Bureaucracy and Fund Disbursement	1.278	.124	.824	10.301	.000

a. Dependent Variable: Disbursement of funds

The model summary above showed that that R squared; $R^2 = 0.680$ implying that 68.0% of variations in the dependent variable (fund disbursement) is explained by the independent variable (bureaucracy) while other variables not in the model contribute for 32.0%. The unstandardized beta coefficient is -1.764, which implied that a unit change in bureaucracy, leads to -1.764 change in county government fund disbursement. Thus the linear regression model was;

$$(i) Y = -1.764 + 1.278X_1$$

Where:

Y = Fund Disbursement

X_1 = bureaucracy

Testing of Null Hypotheses

H_{01} : Bureaucracy has no statistically significant influence on fund disbursement in county governments in Kenya

H_A : Bureaucracy has statistically significant influence on fund disbursement in county in county governments of Kenya

T-test statistics results: ($t = -1.900$; $p = 0.046 < 0.05$)

Verdict: The null hypothesis H_{01} was rejected.

Results interpretation: Bureaucracy has statistically significant influence on fund disbursement in county governments of Kenya

SUMMARY

The findings from the study indicated that majority of the respondents agreed that bureaucracy affects disbursement of funds (4.10). This is attributed to the bureaucratic budgeting and approval process and also the requisite documentation preparation and signing which is bureaucratic.

REFERENCES

- Adebite E., (2004) *Financial Institutions and Economic Development in Nigeria* (3rd Ed) Concept publications.
- Babbage. (1835). *History of Government devolution in Britain*. Bruland Article

CONCLUSION

From the study it was concluded that within the government institutions the employees have adopted a bureaucratic approach which has interfered with their freedom such as that there is a hierarchy which is impossible to question. At times funds are disbursed without proper disbursement procedure and at time some counties are disbursed funds on time and others not. Evidence from most respondents, some counties end up not given sufficient information on the cause of the delay in funds disbursement. Since the menace of irregular funds disbursement has a tremendous effect on the county government most of the respondents agree that there need to have an efficient budgeting and approval process, an efficient requisite documentation preparation and signing, creation of a trust account for disbursement and right to temporally suspend work.

RECOMMENDATION

The study was clear that there is no proper disbursement procedure between National and County government. A suitable system of disbursement procedure should be enhanced by avoiding bureaucracy in the budgeting and approval process.

Suggestion for further Studies

The study recommended that future solutions can further look into other aspects affecting disbursement of funds. Secondly, a further study can examine the determinants of disbursement of funds by regulatory authorities so as to determine their influence on financial performance of counties in Kenya. Furthermore analysis across several other Counties should be undertaken to get a clear picture.

- Barnes, S. B. (2000). *Understanding Agency: Social Theory and Responsible Action (3rd Ed)*: Sage Publication.
- Bernsen & Mayor (2014). *The Dallas Morning Editorial Board*. Published 8th January, West's Recovery Expediting Aid
- Brooker, 2005 *Political leaks on primetime. (4th Ed)*"The Guardian (London).
- Coser L. (1967). *Continuities in the Study of government Conflict*. New York: Free Press.
- Donkor, E. (2011). *Factors Affecting Delayed Payments on Donor Funded Projects in Ghana*: Kwame Nkurmah University of Science and Technology, Ghana
- Faguet, (2004): *Decentralization and Popular Democracy: Governance from Below in Bolivia*. Jean-Paul University of Michigan Press. 2012.
- Frary, R. (1996). *Hints for Designing Effective Questionnaire; Practical Assessment Research & Evaluation*. Blacksburg, Virginia Polytechnic Institute.
- Fenn, P & Gameson, R. (1990). *Conflict Management and Resolution*. London: E and FN Spon.
- Government of Kenya. (2003). *Anti-Corruption and Economics Crimes Act*, Nairobi, Government Printer.
- Ikhide & Alawode (2001) *Financial Sector Reforms, Macro Economic Instability and the Order of Economic Liberalization: The Evidence from Nigeria*
- Jensen, M. & W. Meckling. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics* (3): 305-360.
- Lokko, C. (2000). *Understanding motivation and Bureaucrats; examining expectations of significant to others*. Accra, Macmillan.
- Max Weber (1999), *Theory of Bureaucratic and Negative consequences*. Druck and Bining; NBN 978-3-640
- Mullins, L. . (1996). *Management and Organizational Behaviour*. London: Pitman Publishers.
- Mugenda, M, &Mugenda, G. (2003). *Research Methods, Quantitative and Qualitative Approaches*: Nairobi African Centre for Technology Studies
- OdeduKun, (2003), *Industrial Development and Policy In Africa Issues of De-Industrialisation and Development Strategy*: Harper and Row
- Solomon, O. (2012). *The Trend of Nigeria's Economic Growth*. (2nd Edition).Ibadan: Kings Investment.
- Yamane, T. (1992). *Statistics: An introductory analysis*. (2nd Ed.). New York: Harper and Row.
- Walker, M. 1989. *Agency theory: A falsificationist perspective*. Accounting, Organizations and Society 14(5-6): 433-453
- Williams s. Williams J. (1981). *Management and Organization*. Cengage South-Western.