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

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ABSTRACT

The financial management reforms on public expenditure implemented under the preceding Strategy 2013-2018 were designed around functional themes based on the budget cycle. The reforms are aimed at ensuring both fiscal efficiency and discipline in the use of public finances for the betterment of the Kenyan people. This study examined influence of public financial management reforms (budget reforms and financial reporting reforms) on public expenditures in the County Governments of the Western Region of Kenya; Kakamega, Vihiga, Busia and Bungoma County Governments. 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. Primary data was obtained 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. Descriptive statistical analysis was used to summarize data using frequencies, percentages and means. Pearson correlation coefficient was computed to test if there was correlation between variables while multiple linear regression model was utilized to determine relationships between the independent and dependent variables. Results based on the fitted model indicated that budget reforms had positive and significant effect on public expenditures. Financial reporting reforms 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. 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.

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

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INTRODUCTION

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).

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.

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).

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.

Objectives 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. The study was guided by the following specific objectives;

- To assess the influence of budget reforms on public expenditures in the County Governments of the Western Region of Kenya.
- To examine the influence of financial reporting reforms on public expenditures in the County Governments of the Western Region of Kenya.

The study hypotheses were;

- ***H**$_{01}$**:** There is no significant relationship between budget reforms and public expenditures* in the County Governments of the Western Region of Kenya.
- ***H**$_{02}$**:** There is no significant relationship between financial reporting reforms and public expenditures* in the County Governments of the Western Region of Kenya.

LITERATURE REVIEW

Theoretical Framework

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.

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 (Siyanbola, 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.

Empirical Review

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).

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.

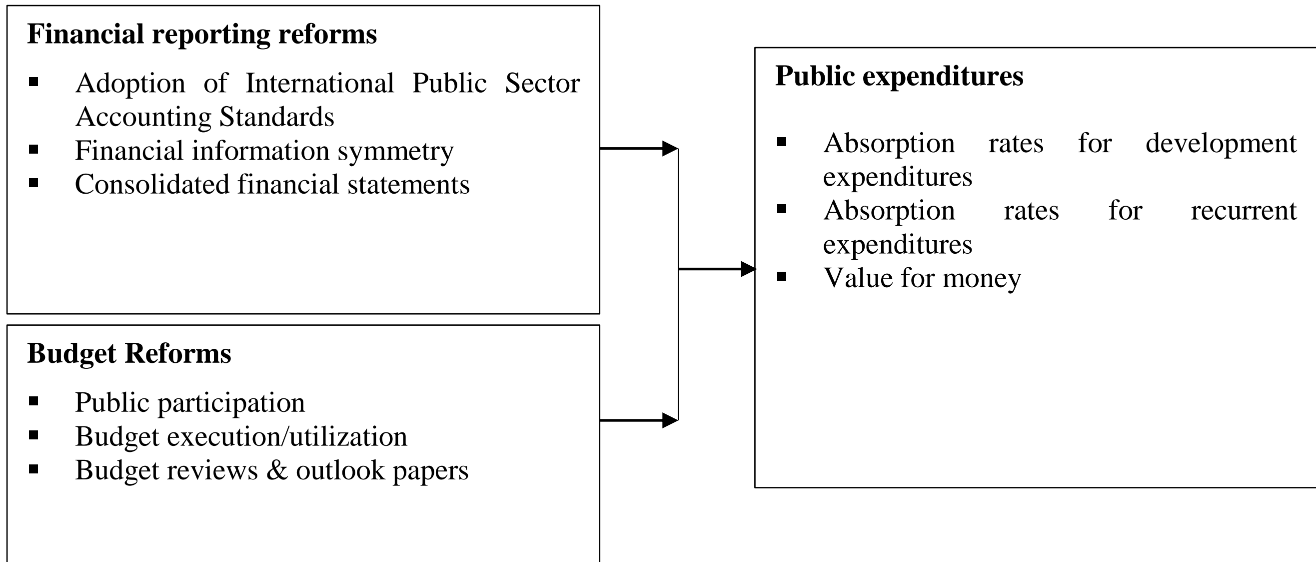
Ramanna and Sletten (2017) carried out a study on why countries adopted financial reporting reforms as stipulated by the International Financial Reporting Standards. They studied variations in decisions to adopt IFRS. Using a stratified random sampling method 102, non-EU countries were picked from Deloitte's 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.

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.



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Source: Researcher (2021)

METHODOLOGY

A research design is a blueprint for generating solutions to a research challenge (Saunders et al. 2012). The survey was descriptive in nature. The study targeted 65 chief Officers from the four county Governments. These employees had the desired information for this study. The sampling frame in this study consisted of Chief Offices in the four counties of Western Region who were the accounting officers and therefore directly or indirectly deal with financial and public expenditures related matters. 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.

Respondents' primary data was obtained directly from them using self-administered structured questionnaires (closed ended questions). 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. 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. For modeling the relationship between the dependent variable and Independent variables, the following multiple regression equation was applied;

$$Y=\alpha + \beta_1X_1 + \beta_2X_2+\varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

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]

ε= error term

β_1, B_2 = Beta Coefficients

FINDINGS AND DISCUSSIONS

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.

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 1.

Table 1: Reliability Test

Variable	Number of Items	Cronbach alpha
Budget reforms	8	0.946
Financial reporting reforms	8	0.931
Public expenditures	6	0.908

From table 1, each of the variables had a Cronbach alpha value more than 0.7. The values range from 0.908 for Public expenditures reforms to 0.946 for Budget 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.

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 2 in which percentage are presented inside brackets while frequency outside brackets.

Table 2: Budget reforms

Budget reforms	5	4	3	2	1	Mean	SD
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
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
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
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
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
There's 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
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
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 2 indicated 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 implied 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 2 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.

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 3 in which percentage are presented inside brackets while frequency outside brackets.

Table 3: Financial Reporting Reforms

Financial reporting reforms	**5**	**4**	**3**	**2**	**1**	**Mean**	**SD**
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
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
There is timely preparation of consolidated financial statements in the County	12 (24.5)	17 (34.7)	16 (32.7)	(0)	4 (8.2)	3.67	1.11
Prepared consolidated financial statements reflect county public expenditures	6 (12.2)	15 (30.6)	18 (36.7)	6 (12.2)	4 (8.2)	3.27	1.09
Operationalization of Treasury Single Account affects the management of cash flow in the County	2 (4.1)	14 (28.6)	20 (40.8)	8 (16.3)	5 (10.2)	3.00	1.02
Financial reporting reforms has enable various stakeholders to understand the true cost of services delivered by the county per activity thus enhancing oversight	5 (10.2)	17 (34.7)	15 (30.6)	8 (16.3)	4 (8.2)	3.22	1.10
Financial reporting reforms has led to improvement in compliance with Financial Reporting standards	14 (28.6)	19 (38.8)	8 (16.3)	4 (8.2)	4 (8.2)	3.71	1.21
Generally, adoption of financial reporting reforms has led to efficiency in county public expenditures	13 (26.5)	16 (32.7)	9 (18.4)	4 (8.2)	7 (14.3)	3.49	1.356
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 the results 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.

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 4 in which percentage are presented inside brackets while frequency outside brackets.

Table 4: Public Expenditures

Public expenditures	5	4	3	2	1	Mean	SD
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
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
There are efficient recurrent operations and maintenance.	15 (30.6)	23 (46.9)	8 (16.3)	(0)	3 (6.1)	3.96	1.02
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
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
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 4 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=111). 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.

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 5 displays the findings.

Table 5: Pearson Correlation Analysis

		BR	**FRR**
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
Public Expenditures	Pearson Correlation	.580**	.577**
	Sig. (2-tailed)	.000	.000
	N	49	49

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.

Regression Analysis

In this study regression analysis was conducted to determine whether there was statistical relationship between the variables. Table 6 presents unstandardized coefficients, standardized coefficients, the t statistic, and significant values. 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 6 : 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
a. Dependent Variable: Public Expenditure					

A regression of the two predictor variables against public expenditures established the multiple linear regression model as below:

$$\hat{Y} = -.518 + 0.277X_1 + 0.226X_2 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(2)}$$

where:

Y= Public Expenditure

$\mathbf{X_1}$= Budget reforms

X_2= Financial reporting reforms

Testing Null Hypotheses

Regression coefficient findings from a multiple linear regression analysis were used to evaluate the hypotheses, and the results were shown. 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.

H_{01}: 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 **H_{01}** was rejected.

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

H_{02}: 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: ($B_2 = 0.226$; $p=0.000< 0.01$)

Verdict: The null hypothesis **H_{02}** was rejected.

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

SUMMARY OF FINDINGS

Objective one: To assess the influence of budget reforms on public expenditures in the County Governments of the Western Region of Kenya.

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.

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. 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.

Objective two: To examine the influence of financial reporting reforms on public expenditures in the County Governments of the Western Region of Kenya.

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 was a considerable degree of relationship between liquidity, IFRS disclosure and firm expenditures.

Multiple linear regression model results using unstandardized beta coefficients showed that financial reporting reforms had significant positive influence on public expenditures in the County Governments of the Western Region of Kenya. 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.

CONCLUSIONS AND RECOMMENDATIONS

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 had 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.

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.

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 had on public expenditures in County Governments of the Western Region of Kenya. The independent variables studied were 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.

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