
Association between Budget Execution and Its Related Constructs in Kenya

FA. Dr. Martin Muyundo Martin

Executive Director, Parliament Budget Office
Parliament Service Commission

doi.org/10.51505/IJEBMR.2024.8209

URL: <https://doi.org/10.51505/IJEBMR.2024.8209>

Received: Feb 10, 2024

Accepted: Feb 16, 2024

Online Published: Feb 24, 2024

Abstract

The purpose of the study was to establish association between budget execution and its related constructs in Kenya. Primary data was collected using questionnaire from 60 staff in the Kenyan parliament. Correlation and regression analysis were used to analyze the association. Results showed that accessibility to budget reports, banking system, and records reconciliation had no significant impact on budget execution. A statistically significant negative correlation was observed between budget execution and public procurement information accessibility ($\alpha_2 = -0.338; p = 0.000$); a statistically significant positive correlation was observed between budget execution and availability of information on budget revisions ($\alpha_3 = 0.515; p = 0.000$); a statistically relevant positive correlation was identified between S3C4 and S3C5 ($\alpha_5 = 0.829; p = 0.000$); a statistically relevant negative correlation was observed between budget execution and commitments for future obligations. Therefore, this study recommends that there should be enhanced accessibility of information pertaining to budgetary matters to ensure effective budget execution.

Keywords: Association, Budget Execution and Constructs

1.0 Introduction

Budget execution refers to the systematic oversight, modification, and documentation of the financial plan for the ongoing fiscal year. The correlation between the execution of a spending plan and its associated structures is a pivotal component within the realm of the administration of public finances.

The issue of budget execution in government fiscal oversight has been overlooked for an extended period of time. The prevailing perception of this activity is that it mostly involves the preliminary examination of governmental invoices and the assessment of payment protocols. There are differing perspectives on the nature of this phenomenon, with some perceiving it as primarily an administrative procedure, while others interpret it as merely an expansion of the budget development phase. On the contrary, the period of budget execution necessitates a more closely-knit interaction between administrative and expenditure agencies. The execution phase of the budget holds significant importance as it serves as a crucial juncture wherein the government engages extensively with the people it represents (Aimable & Nyamita, 2015). As stated by Eliot (1994), the success of an entity relies on its accounting procedures and overall administrative

competencies. The execution of a budget is subject to the impact of multiple elements, including legislative control, the effectiveness of healthcare systems, the features of budgetary review, and the process of budgetary preparation. Numerous scholarly investigations have been conducted to explore diverse determinants that influence the execution of budgets and its ramifications across numerous sectors. However, most studies have not examined the association between budget execution and its related constructs. Therefore, this study sought to examine the association between budget execution and its related constructs in Kenya.

2.0 Literature Review

In their study, Aimable and Nyamita (2015) conducted an assessment of budgeting operations and their impact on the management of public finances in Rwanda. The researchers utilized both descriptive and inferential statistical techniques to analyze a combination of qualitative and quantitative information obtained from five departments in Rwanda. The outcomes of the inquiry demonstrate a significant link between the national budget framework and the successful financial management of chosen ministries within the public sector. Consequently, it was recommended to the Department of Finance and the Economic Planning Ministry of Rwanda that they should implement efficient collaboration in the process of developing the budget, encompassing fund organizing, resource distribution, and fostering synergistic relationships between the state and its partners.

In their study, Isaboke and Kwasira (2016) examined the impact of the budgeting procedure on the fiscal health of the local government of Nakuru. They found that the spending plan is increasingly recognized as a crucial instrument for fiscal oversight. However, it was also argued by scholars that even nations with a robust fiscal framework and prudent budgetary practices may still encounter difficulties in attaining their desired objectives. According to Isaboke and Kwasira (2016), successful oversight of budget execution becomes significantly challenging when the budget undergoes frequent revisions.

According to Eliot (1994), the control of operating money is an overlooked part of the budget execution. Nevertheless, it is vital since it guarantees that the act of borrowing remains within the prescribed boundaries. Similarly, it guarantees the minimization of interest on debt. Due to the occurrence of sinking assets and occasional deficits, governments always resort to debt in order to facilitate the execution of their budgets. Nevertheless, the successful management of funds necessitates the formulation of funding plans, the assessment of seasonal patterns in both revenue and spending and the execution of appropriate portfolio management strategies to enhance liquidity situations and ensure the availability of funds when required.

Ríos et al. (2016) assessed the connection between public sector finance and management using a selection of 93 nations that were polled by the International Budget Partnership in 2010. The study highlighted the dominance of the executive in budget preparation and execution emphasizing the influence of party involvement in the budgeting procedures. Lienert (2005) discusses the control of the budget highlighting the complex association between the parliament's budgetary authority and its separation from the executive among twenty-eight nations with five distinct governing structures. The study determined that the distinctions in fiscal authority between one type of government and another were equally significant. Furthermore Helmuth (2010) highlighted the significant effect of the parliament over budget formulation and execution

emphasizing the importance of institutional actors in the budgeting procedures. The study used a cross-case design of typical methodology to analyze three environmental factors and two distinct factors to elucidate the varying outcomes observed in examples of successful and unsuccessful budget execution. The study emphasized the importance of considering the broader institutional context in understanding budget execution.

The investigation done by Musiega et al. (2022) centered on the assessment of the county health services effectiveness in Kenya, with a particular emphasis on the interplay between budget execution procedures and system efficiency. The study used the thematic approach and descriptive analysis techniques in analyzing quantitative and qualitative data respectively, from secondary and primary sources. The primary data sources consisted of a sample of 70 individuals who were players in the healthcare and financial sectors, operating at various levels of the government. The study highlighted the importance of budget execution in the health sector, explicitly stating that, Kenyan county health systems can function more efficiently if their budgets are more credible, their cash disbursement and procurement procedures are more efficient, and their providers have more autonomy.

Santos et al. (2020) discovered a noteworthy and favourable correlation between budget execution success and budgetary assessment features throughout their investigation of the connection between budgeting procedure features and budgetary execution outcomes in Brazil. Asukile and Mbogo (2022) employed exploratory analysis of factors, regression modelling, and correlational study to examine the influence of budgetary practises, specifically participation in budget planning, and execution of budgets, on the budget success of local governments in Tanzania. The results of the research revealed a clear correlation between budget planning, participatory budgeting, and execution of budgets, demonstrating a strong connection with budgetary performance.

Harelimana (2017) establishes a robust association between the internal audit function and the budget procedure and execution in the context of Rwanda. The primary information was collected for this study by utilising semi-structured surveys administered to a pool of 18 Musanze District administrative personnel, who were chosen at random. The data was subjected to a descriptive analysis, which revealed that financial management, control over management, and human resource management were identified as useful strategies for enhancing the budgeting procedure and its execution within local government. Furthermore, the budget procedure and execution in municipalities encompassed various stages, including budget creation, budget proposal and conversation, budget monitoring, budget amending, budget management, and budget reviewing. Harelimana (2017) conducted research that supported the proposition of generating additional revenue in order to improve the efficacy of budget execution.

To determine how budget absorption affects the financial performance of seven regions in the Sumatra Region, Safriansah et al. (2021) examined the effects of budget preparation, budget execution, and state control mechanisms. Descriptive statistics were applied in this study on a sample of 215 respondents, who were chosen by saturated sampling. The results of the study positively and significantly emphasized the influence of proper budget execution on the level of budget absorption. Specifically, guaranteeing conformity, adherence to oversight, and reporting capabilities that enable prompt identification of issues with budget execution and give leadership flexibility are all requirements of the budget execution system (Safriansah et al. ,2021). On the

other hand, Holynskyy (2017) discussed the importance of adherence to sound financial management principles in budget execution. The research's results demonstrate the value of financial management in improving budget execution by guaranteeing the ongoing liquidity of legal entities during the course of their socioeconomic growth and by boosting cash flows on public legal entities' territory.

These references collectively underscore the multifaceted nature of budget execution and its interplay with various constructs such as legislative oversight, system efficiency, budgetary evaluation characteristics, participatory budgeting, internal audit, and financial management principles. Effective budget execution is crucial for achieving organizational and sectoral objectives, and it requires attention to various factors, including stakeholder engagement, financial management principles, and the broader institutional context. The synthesis of these references provides a comprehensive understanding of the association between budget execution and its related concepts, highlighting the intricate dynamics that shape effective budget execution.

3.0 Methodology

Primary data was collected using a questionnaire from 60 respondents that comprised of 13 parliamentary budgeting office staff and 47 financial analysts. The participants' responses were evaluated using a Likert scale and relevant indices computed. Correlational research design was employed that relied on correlation and regression analysis to establish the association and relationship between budget execution and its related constructs.

4.0 Results and Discussion

The budget implementation tool comprised of 10 elements, and the findings presented in Table 1 demonstrated its effectiveness, as evidenced by the mean index of 3.6. Nevertheless, it is worth noting that four out of the ten structures exhibited a mean index below 3. Consequently, a lack of agreement existed regarding the efficacy of the budget system responsible for managing and overseeing data pertaining to obligations for future transactions, verifying the delivery or provision of goods and services prior to executing payments, and conducting payments through individual line ministries' bank accounts within the framework of commercial banks, as well as controlled payment requests at the ministry of finance upon presentation of bills.

Table 1: Effectiveness of Budget Execution Tool

CODES	ASPECT	SD	D	I	A	SA	Index
		1	2	3	4	5	3.6
S3C1	The accessibility of budget implementation reports is categorized based on the years and formats in which they are presented.	0	16	10	17	20	3.2
S3C2	The accessibility of information pertaining to public procurement.	0	4	7	17	35	4.3
S3C3	Information regarding the process for making revisions to the present year's budget is readily accessible.	0	2	8	17	36	4.4
S3C4	Budget execution- After the approval of budgets, the expenditures of line ministries align with the legal allowances assigned to each specific line item.	0	2	9	18	34	4.3
S3C5	Over two-thirds of the operational funds are allocated back to the Treasury.	0	3	10	16	34	4.3
S3C6	A budgeting system is in place to effectively manage and oversee the recording of data pertaining to commitments made for the purpose of fulfilling future financial obligations.	0	35	6	14	8	2.9
S3C7	The confirmation of goods and services provided or rendered is conducted in accordance with the terms outlined in the contract prior to the execution of payments.	0	36	5	13	9	2.9
S3C8	The disbursements are facilitated through the commercial banking system using bank accounts registered in the identities of the line ministries.	0	37	5	13	8	2.9
S3C9	Typically, payment instructions are consolidated at the Ministry of Finance following the submission of bills.	0	34	7	14	8	2.9
S3C10	Monthly record reconciliations are conducted.	1	17	2	31	12	3.6

Table 2: Correlation between Budget Execution and its Related Constructs

	S3C1	S3C2	S3C3	S3C5	S3C6	S3C7	S3C8	S3C9	S3C10
S3C4	r	R	R	R	R	r	r	r	r
	.297*	.972**	.967**	.951**	0.196	0.142	0.212	0.191	.406**

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

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

(r) is the correlation coefficient

According to the findings shown in Table 2, a strong positive association was seen between S3C4 and S3C2($r = 0.972^{**}$), S3C4 and S3C3($r = 0.967^{**}$), S3C4 and S3C5($r = 0.952^{**}$). These correlations were found to be statistically significant. The observed correlation had an exceptionally high magnitude, beyond the threshold for a typical correlation value. Consequently, this situation raises concerns about the potential presence of multicollinearity, as it becomes challenging to discern discrete relationships among the individual parameters. A statistically significant positive connection was observed between S3C4 and S3C1 ($r = 0.297^*$); S3C4 and S3C10($r = 0.406^{**}$). Nevertheless, a small and statistically irrelevant positive connection was seen between S3C4 and S3C6 ($r = 0.196$); S3C4 and S3C7($r = 0.142$); S3C4 and S3C8($r = 0.212$); S3C4 and S3C9($r = 0.191$).

This study aimed to examine the relationship between budget execution and its associated components, as depicted in Table 3. The findings of the relationship were presented in Table 3, prior to and following the insignificance of certain variables was addressed by smoothing techniques.

Table 3: Relationship between Budget Execution and Its Related Constructs

Unstandardized Coefficients before removal	Sig.	Unstandardized Coefficients after removal	Sig.
(Constant)	0.009	(Constant)	-0.003
S3C1	0.778	S3C2	0.931
S3C2	0.249	S3C3	0.000
S3C3	0.000	S3C5	0.000
S3C5	0.000	S3C6	0.000
S3C6	0.000	S3C7	0.000
S3C7	0.000	S3C9	0.000
S3C8	0.757		
S3C9	0.000		
S3C10	0.86		
R-square	0.997	R-square	
F-Statistics	2629.034	F- statistics	4031.852
DW	2.094	DW	2.069

According to the findings presented in Table 3, it was observed that S3C1, S3C8, and S3C10 had no significant impact on budget execution. Specifically, S3C10 exhibited a negative influence on budget adoption($\alpha_1 = -0.006; p = 0.249$); ($\alpha_8 = 0.015; p = 0.757$) and ($\alpha_{10} = -0.001; p = 0.860$) indicating that complications in budget adoption may occur when annual budget accounts are submitted in erroneous formats. Additionally, budget execution may be delayed when payments are not made through the commercial banking system using bank accounts held by particular line ministries. Conversely, a rise in monthly report reconciliation

was found to also contribute to puts off in budget adoption. Nevertheless, these factors hold little significance when it comes to deciding the execution of a budget.

A statistically relevant negative correlation was observed between S3C4 and S3C2($\alpha_2 = -0.338; p = 0.000$); a statistically relevant positive correlation was observed between S3C4 and S3C3($\alpha_3 = 0.515; p = 0.000$); a statistically relevant positive correlation was identified between S3C4 and S3C5($\alpha_5 = 0.829; p = 0.000$); a statistically relevant negative correlation was observed between S3C4 and S3C6($\alpha_6 = -0.249; p = 0.000$); a statistically relevant negative correlation was seen between S3C4 and S3C7($\alpha_7 = -0.314; p = 0.000$); a statistically relevant positive correlation was observed between S3C4 and S3C9($\alpha_9 = 0.545; p = 0.000$).

A significant negative correlation was observed between variable S3C4 and variable S3C2. Conversely, a significant positive correlation was found between S3C4 and both S3C3 and S3C5. Additionally, a significant negative correlation was identified between S3C4 and both S3C6 and S3C7. Lastly, a significant positive correlation was observed between S3C4 and S3C9. The findings suggest that there exists a negative correlation between the accessibility of information on government procurement and the implementation of the budget. Additionally, a rise in the amount of data available on budget revisions is positively associated with budget adoption. Furthermore, the implementation of the budget is positively influenced by the reimbursement of more than 2/3 of the operating cash to the Treasury. On the other hand, a rise in the keeping of commitments to fulfil future payment obligations is negatively related to budget adoption. Moreover, a decrease in the verification of the quantity of goods and services delivered before transactions are executed is associated with a rise in budget adoption. Lastly, a rise in the centralized management of payment orders at the Ministry of finance is positively associated with budget implementation.

The findings of this study align with the observations made by Aimable and Nyamita (2015) regarding the operating finances of the Treasury. They noted that analyzed budgetary activities have consequences for the management of public finances in Rwanda, and there exists a notable connection between the budgeting system and the practice of careful fiscal monitoring in the public sector.

5.0 Conclusions and Recommendations

This study has reached a conclusion regarding the efficacy of budget execution tools, highlighting the significance of certain factors in positively impacting budget implementation in Kenya. Specifically, the accessibility of information, access to information regarding revisions to the present year's budget, the process of returning money to the Treasury, and the centralized management of payment orders were identified as crucial elements in affecting budget implementation outcomes. Nevertheless, the management of data, together with the verification of contracts prior to disbursement, posed challenges to the successful implementation of the budget implementation in Kenya.

Therefore, this study recommends that; there should be enhanced the accessibility of information pertaining to budgetary matters. Additionally, it advocates for the regular reassessment of the present year's budget to align with prevailing economic conditions. Furthermore, the study proposes the practice of returning unused revenue to the Treasury and emphasizes the importance of centralizing payment orders within the government to ensure effective budget execution.

References

- Aimable, N., & Nyamita, M. (2015). The National Budget System and Its Effectiveness on Public Financial Management within Ministries in Rwanda. *International Journal of Economics, Commerce and Management*, 3(9), 509-530.
- Asukile, F. and Mbogo, C. (2022). Influence of budgetary practices on budget performance of local government authorities in Tanzania. *Journal of Finance and Accounting*, 10(2), 112. <https://doi.org/10.11648/j.jfa.20221002.14>
- Eliot, T. (1994). Budget Execution and Cash Management. In A. Premchad, *Government Budgeting and Expenditure Controls. Theory and Practice* (pp. 355-378). Washington DC: International Monetary Fund.
- Harelimana, J. (2017). The effect of internal audit on budget management of local government of Rwanda. *International Journal of Family Business and Management*, 1(1), 1-9. <https://doi.org/10.15226/2577-7815/1/1/00101>
- Helmuth, U. (2010). Better performance with performance budgeting? analyzing cases of success and failure in public administrations. *International Public Management Journal*, 13(4), 408-428. <https://doi.org/10.1080/10967494.2010.524833>
- Holynskyy, Y. (2017). The importance of financial management principles in the state budget execution. *Annals of Spiru Haret University Economic Series*, 17(4), 19-28. <https://doi.org/10.26458/1742>
- Lienert, I. (2005). Who controls the budget: the legislature or the executive? *Imf Working Paper*, 05(115), <https://doi.org/10.5089/9781451861341.001>
- Musiega, A., Tsofa, B., Nyawira, L., Njuguna, R., Munywoki, J., Hanson, K., ... & Barasa, E. (2022). Examining the influence of the budget execution processes on the efficiency of county health systems in Kenya. <https://doi.org/10.1101/2022.07.26.22277737>
- Ríos, A. M., Bastida, F., & Benito, B. (2016). Budget transparency and legislative budgetary oversight: An international approach. *The American Review of Public Administration*, 46(5), 546-568.
- Safriansah, S., Zuhri, N., & Andriyansah, A. (2021). Analysis of financial performance using budget absorption indicators. *Budapest International Research and Critics Institute (Birci-Journal) Humanities and Social Sciences*, 4(1), 1467-1478. <https://doi.org/10.33258/birci.v4i1.1775>
- Santos, G, Bonacim, C., & Gaio, L. (2020). Health service in brazilian private and public hospitals: budgetary participation, feedback and performance from clinical managers perception. *African Journal of Business Management*, 14(11), 457-466. <https://doi.org/10.5897/ajbm2020.9068>