EFFECTS OF HUMAN CAPITAL ON PUBLIC FINANCIAL MANAGEMENT IN BUSIA COUNTY: KENYA

BY

ANTONETE APIYO KANANI

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2015
EFFECTS OF HUMAN CAPITAL ON PUBLIC FINANCIAL MANAGEMENT IN BUSIA COUNTY, KENYA

BY

ANTONETTE APIYO KANANI

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2015
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ________________  Date: ________________
Antonette Apiyo Kanani (ID 639432)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________  Date: ________________
Prof. George Achoki

Signed: ________________  Date: ________________
Dean, Chandaria School of Business
ABSTRACT

The purpose of this study was to evaluate the influence of human capital on the implementation of public financial management in Busia County, Kenya. The study sought to answer the following research questions: how does education level of human capital influence the implementation of public financial management in Busia County, Kenya? How do workplace training and development programs of human capital influence the implementation of public financial management in Busia County, Kenya? How does professional experience of human capital influence the implementation of public financial management in Busia County, Kenya?

This was a descriptive research design that enabled the researcher to describe the relationship between variables in the study. The population of the study was 425 employees. The sample size was 129 employees from which 88 responses were received. The sample was selected using stratified random sampling technique. Primary data was collected using questionnaires. They were pre-tested for validity and reliability through a pilot study. The questionnaires were administered through a drop and pick later method. Data was analysed using descriptive statistics especially percentages and the results presented in charts.

The study found that most of the respondents agreed that educational qualifications of employees in the county government influence the implementation of public financial management in Busia County. The results also showed that most of the respondents were convinced that training influences public financial management implementation in the county. Most of the respondents were also in agreement that employee experience is a significant factor influencing public financial management implementation in Busia County.

The study concludes that educational component of human capital is key to the implementation of PFM in Busia County. The study also concludes that employee training in public financial management courses is key to the success of the implementation of PFM in Busia County. The study further concludes that for the success of public financial management implementation in Busia County, the professional experience of employees is a key ingredient.
The study recommends that more educational programs that can boost the public financial management implementation in the county be designed for the employees. These include financial management courses, Certified Public Accountants (CPA) & Certified Public Secretaries (CPS), public administration, procurement management and general business management. The study also recommends trainings especially on the Integrated Financial Management Information System (IFMIS) for the employees. Finally, the study recommends that the county mixes the skills set by employing experienced people on public financial management.
ACKNOWLEDGEMENT

First, I am indebted to the Almighty God for the gift of life as well as a supportive family. Many a time I have been forced to abscond my duties as a mom but my family has always been understanding.

Special thanks to my supervisor Prof. George Achoki for his patience and guidance throughout this research. Your invaluable guidance on the subject matter and general flow of this paper has seen it become what it is.

To the Chandaria School of Business and the entire USIU fraternity, thank you for allowing me to use your resources and for the serene environment that enabled me to study and to develop this study. I will forever be grateful to you all.

Last but not least, I thank my friends and colleagues whom I have interacted with along the way as regards the subject matter of this study, for being brutally honest in their criticism.
DEDICATION

I dedicate this project to my son, Liam and my husband, Nixon
# TABLE OF CONTENT

STUDENT'S DECLARATION ........................................................................................................... ii
COPYRIGHT .............................................................................................................................. iii
ABSTRACT ............................................................................................................................... iv
ACKNOWLEDGEMENT ........................................................................................................... vi
DEDICATION ........................................................................................................................... vii
TABLE OF CONTENT .............................................................................................................. viii
LIST OF TABLES ..................................................................................................................... x
LIST OF FIGURES .................................................................................................................. xi

CHAPTER 1 ............................................................................................................................... 1
1.0 INTRODUCTION ................................................................................................................ 1
1.1 Background of Study ........................................................................................................ 1
1.2 Statement of the Problem ............................................................................................... 4
1.3 Purpose of the Study ....................................................................................................... 6
1.4 Research Questions ....................................................................................................... 6
1.5 Significance of the Study ............................................................................................... 6
1.6 Scope of the Study ......................................................................................................... 7
1.7 Definition of Terms ....................................................................................................... 8
1.8 Chapter Summary ......................................................................................................... 8

CHAPTER 2 ............................................................................................................................... 9
2.0 LITERATURE REVIEW .................................................................................................... 9
2.1 Introduction ..................................................................................................................... 9
2.2 Human Capital Education and Implementation of PFM ................................................. 9
2.3 Human Capital Training and Implementation of PFM .................................................. 14
2.4 Human Capital Experience and implementation of PFM ............................................. 19
2.5 Chapter Summary ......................................................................................................... 23

CHAPTER 3 ............................................................................................................................... 25
3.0 RESEARCH METHODOLOGY ....................................................................................... 25
3.1 Introduction .................................................................................................................... 25
3.2 Research Design .......................................................................................................... 25
3.3 Population and Sampling Design .................................................................................. 25
### 3.4 Data Collection Methods

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Collection Methods</td>
<td>27</td>
</tr>
</tbody>
</table>

### 3.5 Research Procedures

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Procedures</td>
<td>27</td>
</tr>
</tbody>
</table>

### 3.6 Data Analysis Methods

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Analysis Methods</td>
<td>28</td>
</tr>
</tbody>
</table>

### 3.7 Chapter Summary

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter Summary</td>
<td>28</td>
</tr>
</tbody>
</table>

### CHAPTER 4

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0 RESULTS AND FINDINGS</td>
<td>29</td>
</tr>
</tbody>
</table>

### 4.1 Introduction

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>29</td>
</tr>
</tbody>
</table>

### 4.2 Demographics

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>29</td>
</tr>
</tbody>
</table>

### 4.3 Educational Level of Human Capital and PFM Implementation

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational Level of Human Capital and PFM Implementation</td>
<td>33</td>
</tr>
</tbody>
</table>

### 4.4 Workplace Training of Human Capital and PFM Implementation

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace Training of Human Capital and PFM Implementation</td>
<td>36</td>
</tr>
</tbody>
</table>

### 4.5 Professional experience of human capital and PFM implementation

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional experience of human capital and PFM implementation</td>
<td>42</td>
</tr>
</tbody>
</table>

### 4.6 Chapter Summary

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter Summary</td>
<td>46</td>
</tr>
</tbody>
</table>

### CHAPTER 5

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS</td>
<td>47</td>
</tr>
</tbody>
</table>

### 5.1 Introduction

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>47</td>
</tr>
</tbody>
</table>

### 5.2 Summary of the Study

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of the Study</td>
<td>47</td>
</tr>
</tbody>
</table>

### 5.3 Discussion of Findings

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussion of Findings</td>
<td>48</td>
</tr>
</tbody>
</table>

### 5.4 Conclusions of the Study

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conclusions of the Study</td>
<td>49</td>
</tr>
</tbody>
</table>

### 5.5 Recommendations of the Study

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations of the Study</td>
<td>50</td>
</tr>
</tbody>
</table>

### REFERENCES

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>REFERENCES</td>
<td>52</td>
</tr>
</tbody>
</table>

### APPENDIX A

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPENDIX A</td>
<td>56</td>
</tr>
</tbody>
</table>

### APPENDIX B

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPENDIX B</td>
<td>57</td>
</tr>
</tbody>
</table>

### APPENDIX C

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPENDIX C</td>
<td>61</td>
</tr>
</tbody>
</table>

### APPENDIX D

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPENDIX D</td>
<td>62</td>
</tr>
</tbody>
</table>
LIST OF TABLES
Table 3.1: Population ........................................................................................................26
Table 3.2: Sample Size ..................................................................................................27
LIST OF FIGURES

Figure 4.1: Gender of respondents ................................................................. 29
Figure 4.2: Age of the respondents ................................................................. 30
Figure 4.3: Length of time respondents had worked in Busia County ............... 31
Figure 4.4: Departmental distribution of respondents ...................................... 31
Figure 4.5: Designation of respondents .......................................................... 32
Figure 4.6: Levels of education of respondents .............................................. 33
Figure 4.7: Description of educational levels of others .................................... 33
Figure 4.8: Whether the county allows further education for employees .......... 34
Figure 4.9: Whether county government facilitates employee further education .. 35
Figure 4.10: Recommended educational programs for county employees ......... 35
Figure 4.11: Extent to which education affects PFM implementation ............... 36
Figure 4.12: Existence of departmental training programs ............................ 37
Figure 4.13: Frequency of financial management trainings ............................ 37
Figure 4.14: Training venues for PFM ............................................................. 38
Figure 4.15: Persons conducting financial management trainings .................. 39
Figure 4.16: Persons selected for PFM trainings ............................................ 39
Figure 4.17: Proportion of respondents trained on PFM ............................... 40
Figure 4.18: Period when training on PFM was conducted ............................ 41
Figure 4.19: The effect of training on PFM in Busia County ........................... 41
Figure 4.20: Satisfaction with the levels of employee training on PFM ............ 42
Figure 4.21: Years of involvement in PFM issues ........................................... 43
Figure 4.22: Importance of PFM to Busia County Government ....................... 43
Figure 4.23: Importance of PFM to individuals ............................................. 44
Figure 4.24: Experience of Busia County staff in PFM ................................. 45
Figure 4.25: Effect of employee experience on PFM in Busia County ............... 45
Figure 4.26: Extent to which Busia County government focuses on experience ... 46
CHAPTER 1

1.0 INTRODUCTION

1.1 Background of Study

Public Financial Management is a key concern of governments and development practitioners across the entire world. Institutions and government agencies governing public finances have a determining impact on the economic and social costs and benefits of revenue collection and expenditure. Porter, Andrews, Turkewitz and Wescott (2010) recently claimed that ‘successful “societal evolution” hinges on the systems and procedures societies develop to manage public finance and procurement’. Reflecting its importance for the achievement of development outcomes, increasing attention and resources are being devoted to strengthening the public financial management systems of developing countries worldwide (World Bank IEG, 2008).

Human Resources Management (HRM) is a vital management task in the public sector, and it plays an active and vital role in the success of the reform of a number of sectors (Elarabi & Johari, 2014). Human resource management is concerned with the development of both individuals and the organization in which they operate. HRM, then, is engaged not only in securing and developing the talents of individual workers, but also in implementing programs that enhance communication and cooperation between those individual workers in order to nurture organizational development (Howard et al., 2006). The primary responsibilities associated with human resource management include: job analysis and staffing, organization and utilization of work force, measurement and appraisal of work force performance, implementation of reward systems for employees, professional development of workers, and maintenance of work force (Elarabi & Johari, 2014).

With perceiving about the importance of human capital, many nations have tried to effectively and efficiently measure their human capital to understand their current status. Thereafter, human capital measurement is an important source in terms of suggesting and implementing policies regarding human resources. Some of the most common measures of human capital include education level which measures the number of years taken in school, workplace training and development which measures the level of training at the
workplace and professional experience which measures the number of years spent working as a professional (Le, Gibson & Oxley, 2005).

Global trends towards increased investment in Public Financial Management reform are now being played out in the Africa and Kenya specifically, where donors – dealing with recent and projected increases in aid flows and strong political imperatives to make greater use of country systems while ensuring value for money and fiduciary control – have substantially increased efforts in public financial management reform (Porter et al., 2010). Kenya as a country currently has PFM reform programs of some sort underway which is focusing on the PFM practices at the county level (World Bank IEG, 2008).

Many developing countries such as Kenya have joined the global trend of reforming their administrative systems to meet the challenges of the 21st century and a number of reform policies have been implemented in many of these countries as part of the Internationalization of Public Sector Management (IPSM). The movement has evolved into a new model of public governance, with its theoretical perspectives shaped by the tenets of New Public Management (NPM), and has been imposed upon these countries by major global financial and political institutions (Ohemeng, 2008).

The new paradigm in the delivery of services in government calls for a business approach to running the affairs of state, and requires the application of marketing and production techniques to the field of public administration. To this effect, mechanisms such as decentralization, privatization and performance management are being adopted with a view to improving the responsiveness of governments to public concerns, improving the quality of public goods and services, increasing the efficiency of service delivery and promoting accountability and ethical values (Mutahaba & Kiragu, 2002).

It should be noted that institutional and capacity issues affect the success of the PFM in the public sector. Public sector capacity is an essential element in ensuring public sector performance (Batley & Larbi 2006). The term has multiple meanings and usages. Polidano (2000) sees it as “The ability of an organization to act effectively on a sustained basis in pursuit of its objectives” (P. 821). As previously stated, Kenya’s Public Financial Management, like many developing countries, has been less successful because of institutional and low capacity problems. One of the major problems that the county
governments in Kenya have faced is the human capital which needs to be addressed (Makokha & Sira, 2013).

As the national government continues to transfer more functions to county governments, some sectors and their employees are reluctant to be under county government control. The most affected sectors are education and health, notwithstanding the fact that the conditions and terms of service will remain the same (Alande, 2014). History and a sheer resistance to change have informed the key reasons for this reluctance. For a long time local units of government were run by people considered to be less knowledgeable and semi-illiterate, so the creation of county governments is seen in that light. Professionals such as doctors and teachers are therefore reluctant to be under the control of such officials (Haque et al., 2012).

The coming into effect of the County Governments Act 2012 repealed the former Local Authorities Act. An ensuing headache for the County Public Service Boards is what to do with former employees of local governments, most of who earn higher salaries than their qualifications guarantee (Makokha & Sira, 2013). Besides, these employees are currently making demands that the county governments must recognise and honour the Collective Bargain Agreements (CBA) reached under the old regime and this has caused a stand-off in the city counties of Nairobi and Mombasa. The transition clauses did not automatically transfer the staff of the former local authorities to the new county governments, yet these employees assume that under the new dispensation they automatically became employees of the county governments (Mutahaba & Kiragu, 2002).

In some counties, national government institutions are seen as the main threat to the strategic HRM. Although Transitional Authority (TA) facilitated transfer of employees from former Local Authorities, it placed some employees in sensitive positions without following due process (Makokha & Sira, 2013). Interference from the cultural groups like council of elders who indirectly influence who is to be employed in the county is also a major challenge. “Our own graduates have to be employed in the county is common in the counties” (Mugambi & Theuri, 2014). Socio-cultural stereotypes continue to affect attainment of one-third gender rule and adherence to ethnic diversity. Opinion is divided whether the national government guarantees autonomy. In some counties there is a
feeling that national government does not guarantee autonomy to the county government especially on financial matters (Mutahaba & Kiragu, 2002).

There is acute shortage of skilled labour in majorities of sampled counties. Majorities of job applicants are holders of social sciences or general science degrees. There is lack of technical skills and professional skills. There is still competition from private sectors and NGOs. Some experienced applicants are turned away by the little salaries on offer. The recruitment and selection process of county staff is also not appropriate and has resulted in the employment of unsuitable candidates due to political influence, the quota system as well as the one third gender rule (Alande, 2014). The training programs that most county governments have adopted for their staff members are not adding any value to them. This is due to the fact that they are conducted without proper assessment of the training needs in the counties and also due to the use of outdated training curriculum and manuals (Otele, 2013).

Lack of professionally qualified and adequate employees at the county level has resulted in various problems. Some counties, for instance, contest the piecemeal transfer of functions that has taken place so far, arguing that all powers provided in Schedule Four of the Constitution be transferred at once (Makokha & Sira, 2013). This demand is partly driven by belief on the part of county governments that officials of the national government and local government structures being phased out remain resentful of the invasion of their previous scope of authority. While this may be true, the reality on the ground is that many county governments, if not all, lack the capacity to absorb all such powers within such a short term. This argument is strengthened when one considers, for instance, that Kenya currently lacks trained and experienced legislative drafters, fiscal and economic planning experts to adequately cater for the 47 counties (Mugambi & Theuri, 2014).

1.2 Statement of the Problem

Public Finance Management is a vital component of self-determined and sustainable development in a country through a country's budget development strategies are put into practice. The transparent management of these budgets is an integral part of good governance and democratic accountability. Only then the participation of all stake-holders
in the development process and the reduction of poverty are possible. Strengthening Public Finance Management is a very complex process and entails specific measures and the strengthening of control mechanisms. Not only ministries require support, but also local administrations are in need of human capital development (Alande, 2014). Additionally institutions, which work to secure democratic accountability, need to be supported and strengthened. These include parliaments, supreme audit institutions, civil society organisations and also the media. By guaranteeing their unhindered and good operation, transparency and the allocation and management of public resources to the benefit of the population can ensured. In developing countries, the implementation of PFM is greatly influenced by the human resource management practices adopted in the public sector (Haque et al., 2012). The Kenyan situation is such that the implementation of PFM has been largely left to the county governments since devolution was adopted and there have been various issues and challenges as a result of lack of the relevant skills by the human capital available as well as due to other factors that influence the performance of human capital in organisations (Karanja & Ng’ang’a, 2014).

The passing of the new constitution in 2010 in Kenya gave birth to a devolved system of government where the constitution established 47 county governments and 1 national government. The major reason for the devolvement of the government was to ensure equitable distribution of resources and thus ensure that there was regional balance in terms of development and access to services. Another reason was to bring government resources closer to the people and thus encourage citizen involvement in governance matters (Mutahaba & Kiragu, 2002). County governments are therefore expected to adopt public financial management practices so as to ensure efficiency in the delivery of services to the citizens. One of the major factors that influence the implementation of PFM by county governments is human capital due to the conflicting roles of the national and county governments. There is need to evaluate this factor and provide suggestions on how these county governments can overcome it (Karanja & Ng’ang’a, 2014).

An empirical review of literature in this area shows that there are various studies that have been carried out both on the international arena, in the African context as well as locally. Alande (2014) evaluated the role that human Resource Management needs to play in the devolution of counties in Kenya. The results revealed that human resource management has been neglected at the county level in Kenya. Otele (2013) carried out a study on
Human Resource Management (HRM) at Sub-National Level and evaluated the Constraints and Contradictions in Kenyan Counties. He found that the human capital was a major constraint. Karanja and Ng’ang’a (2014), evaluated the factors influencing implementation of integrated financial management information system in Kenya government ministries. These studies have focused on the need of human resource management at county level but have not evaluated its effects on the implementation of PFM at the county level (Makokha & Sira, 2013). It is clear that studies have not specifically focused on the influence of human capital on the implementation of public financial management. It is also important to note that since devolution is only two years old in Kenya, very few people have focused on the evaluation of the influence of human capital on the implementation of PFM. This is the gap that this study sought to fill by evaluating the influence of human capital on implementation of PFM in Busia County, Kenya.

1.3 Purpose of the Study
The purpose of this study was to evaluate the influence of human capital on the implementation of public financial management in Busia County, Kenya.

1.4 Research Questions
This study was guided by the following research questions
1. How does education level of human capital influence the implementation of PFM in Busia County, Kenya?
2. How do workplace training and development programs of human capital influence the implementation of PFM in Busia County, Kenya?
3. How does professional experience of human capital influence the implementation of PFM in Busia County, Kenya?

1.5 Significance of the Study
1.5.1 County Governments
County governments can benefit since the study offers suggestions on how to improve human capital management. The results of the study can help human resource management professionals at the county level to understand clearly the issues of importance in the performance of employees and how to ensure that they are imparted
with the right skills to promote the successful implementation of Public Financial Management policies in the county.

1.5.2 National Government
This study is beneficial to the National Government of Kenya as it can help in understanding how human capital influences the implementation of public financial management practices by county governments successfully. This can help the National Government to decide on the policies and practices to adopt in devolving the human capital management function to county governments.

1.5.3 Policy Makers
This study can also guide policy makers in the area of public financial management especially the Central Bank of Kenya and the Treasury in coming up with policies which can ensure county governments are provided with human resource capacity to implement PFM

1.5.4 Researchers and Academicians
Researchers and academicians in the field of finance, economics and public sector management can find this study a useful guide for carrying out further studies in the area. The study offers great insight into the effects of human capital on public financial management in the county governments. This may guide academicians in the development of training manuals and curriculum for training human capital for improved performance in public financial management.

1.6 Scope of the Study
This study focused on evaluating the influence of human capital on the implementation of public financial management in Kenyan counties. The study covered the effect of human capital on public financial management. The target population of the study was Busia County employees in Kenya. Primary data was collected through the use of questionnaires. The study was done between October 2014 and May 2015.
1.7 Definition of Terms

1.7.1 Public Sector
This is the part of the economy concerned with providing various government services (Hughes, 2003).

1.7.2 Public Financial Management
Public financial management is the administration of funds used to deliver public services. This is a special field within the larger discipline of financial management, focused on delivering services as effectively and efficiently as possible to maximize benefits to residents (Cangiano et al., 2013).

1.7.3 New Public Management
These are government policies that aim to modernise and render the public sector more efficient. The basic hypothesis holds that market oriented management of the public sector will lead to greater cost-efficiency for governments, without having negative side-effects on other objectives and considerations (Hughes, 2003).

1.8 Chapter Summary
This chapter has presented the background of the study and the statement of the problem. This sought to establish the knowledge gaps in order to show the need for the study. The chapter has also presented the research purpose and the questions that guided the study. Finally, the chapter has presented the scope and the significance of the study. The next chapter presents the literature review.
CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of both the theoretical literature and empirical literature on human capital and public financial management. The chapter is structured in a manner that it represents the research questions which were presented in chapter one. The chapter begins with a presentation of literature on education level of human capital and its effects on the implementation of public financial management, this is followed by a section on workplace training programs of human capital and their influence on the implementation of public financial management, then another section on professional experience of human capital and its influence on the implementation of public financial management. The last section of the chapter presents the summary of the chapter and the research gaps.

2.2 Human Capital Education and Implementation of PFM

This section reviews literature on the effect of human capital education on public financial management. The section first reviews the concept of education as human capital indicators and then the effects of education on public financial management.

2.2.1 Concept of Education as Human Capital

According to Becker (1993), Human Capital Theory explains that formal education is highly instrumental and necessary in improving the production capacity of the workforce. This is because the knowledge and education acquired increases the productivity and efficiency of workers by increasing the level of cognitive stock of economically productive human capability which is a product of innate abilities and investment in human beings (Psacharoponlos & Woodwall, 1997). However, the application of the theory increases learning efforts by employees and requires a firm to recruit highly qualified employees, train them yet at one point they will live because the firm does not own them (Bronchi, 2003). In addition, the theory provides little attention to natural ability of workers who end being influenced on what to do. Advocates of human capital theorists argue that an educated population is a productive one, but the major problem lies with the application of the knowledge and education acquired in relation to the output of
the workforce at the place of work. Education has been compromised by the political system particularly in developing countries thus affecting the quality.

According to the common perception the educated people can do certain tasks easily and efficiently compared to the uneducated or those who are educated lesser (Castronova, 2002). This is in accordance with the dictum knowledge is power. It implies that a person who is knowledgeable can perform better at tasks that require that knowledge (Crepaz & Moser, 2004). Let aside the tasks that require the specialized knowledge but even the common tasks educated people can handle better. In fact lack of education and knowledge make a person crippled and inefficient. Here, education does not imply the formal college diplomas but, the mere knowledge of it. Though a person might not have diplomas but, the possession of knowledge will make him efficient (Van Vugt, 2006).

It has been established that the Intellectual capital (knowledge) is a critical force that is responsible for the economic growth (Huang & Liu, 2005). In this arena of globalization, the modern business is mainly driven by the intellectual capital and the human capital helps organizations to establish and maintain their competitive advantage (MacDougall & Hurst, 2005). The educated and wise people in the organizations are responsible for creating wealth for their organizations and the mere machinery will not do this fete (GarcyaMeca & Martinez, 2005).

It has long been recognized that the human capital is an important part of the wealth of organizations and nations. It has been proved that there is significant relationship between human capital, efficiency and financial performance and that it helps in the implementation of various initiatives, policies and practices in the public sector. Knowledge measured as the Human capital has significant effect on economic performance (Rafiei et al., 2011). Human capital or the work force is the most intellectual asset in an organization. In fact it is noted that human capital plays the main role in organizational performance (Ahmadi et al., 2011).

Since efficient manpower is considered as the most valuable resource of any organization, much of the investment is focused on manpower. "Education" is used to enable people to accomplish their tasks in order to improve the quality and level of skills, knowledge and attitude (Lee, 2007). Organizations shall identify training needs, provide training
opportunities and to assess their effectiveness. Educational programming primarily targets some goals such as knowledge, skills and capabilities of staff and prepares them for specific tasks and responsibilities in the organization. Achieving organizational goals depends on the ability of the employees to perform their duties and adapt to changing environment. Improving education and human resources make them more prepared and better equipped to do their specific tasks and take their newer and higher responsibilities in the organizations.

Charles and Berger (1988) suggested a various forms of investment in human capital e.g. formal schooling, job market information, on the job training, health and sanitation, and migration. Human capital formation refers to such phenomenon in which a person becomes more productive, capable and more beneficial for the society as a result of an improvement in human activities due to changes in the economy. Schultz (1961) stated that in the process of human capital formation, humans considered as productive assets. Further, he mentioned that education might lead to higher productivity of labour or worker. Modern technique of production, skill and knowledge may lead to technological development.

Education is a type of human capital investment. Generally, economists interpret education as having “direct effects” and “indirect effects”. Direct effects of education are monetary returns to investment in education. These are the granting of knowledge and skill that are attached with more wages. The indirect effects of education are non-monetary returns to investment in education. These are also known as external benefits or as non-market benefits or consumption benefits (McMahon 1999). According to Bynner et al. (2003), non-monetary benefits of education are referred as the wider benefits of learning. These benefits include political stability, human rights, higher level of democratic participation, reduced crimes and environmental protection, reduction in fertility and family welfare and health. The traditional theory of human capital developed by Becker (1962) and Mincer (1974) explored that the major sources of human capital accumulation are the education and training. These have the direct and positive impact on life time earnings of individuals.

Based on the significance of education, the concept of human capital has been brought to the forefront of many discourses in the field of economic growth and development.
Studies have shown that improvements in education accelerate productivity and contribute to the development of technology, thus improving human capital. More than anything else, it has been the spectacular growth in East Asia that has given education and human capital their current popularity in the field of economic growth and development. Countries such as Hong Kong, Korea, Singapore, and Taiwan have achieved unprecedented rates of economic growth while making large investments in education (Gylfason & Zoega, 2003).

### 2.2.2 Effects of Education on PFM

In the statistical analysis carried out by the World Bank (1993), it was found that improvement in education is a very significant explanatory variable for East Asian economic growth. There are several ways of modelling how the huge expansion of education accelerated economic growth and development. The first is to view education as an investment in human capital. A different view of the role of education in the economic success is that education has positive externalities; educate part of the community and the whole of it benefits.

Many studies have indicated that the growth of output in many advanced countries has been significantly affected by the improvements in intangible human characteristics (Thomas & Fieldman, 2009). In developing economies, lack of skill and knowledge is a severe limiting factor for economic development. An improvement in the quality of human factor is therefore as essential as investment in physical capital. If the human capital formation is insufficient, physical capital cannot be productively used. As regards the factor for human capital formation, education performs a central role. It raises the efficiency and productivity of workers. Education produces skilled manpower that is capable of leading the economy towards the path of sustainable economic growth and development (Thomas & Fieldman, 2009).

There exists a vast range of empirical literature on human resource development and human capital formation both at the national and international levels. Lucas (1988) developed the endogenous growth models in which human capital was considered as the most important factor of production and education as a major source of human capital accumulation. In addition, general education like schooling and training, human capital accumulation depend on better health, nutrition, physical strength and occupational
training (Fogel, 1994). Psacharopoulos (1994) provided comprehensive estimates of education returns at a global scale. He observed that there was a high rate of return of primary education in all the regions of world.

Gemmell (1996) noted that both the levels of human capital and their growth rates to be important in explaining growth. Gylfason and Zoega (2003), concluded that education raised economic growth not only be enhancing and improving human capital but also social and physical capital Oketch (2006), focused on the role of human capital in improving the economic productivity. He concluded that the sources of growth of labour productivity are high investment in human and physical capital.

Thomas and Fieldman (2009), look at the effects of education level on job performance in two ways. First, they provide a meta-analysis on the relationships between education level and nine dimensions of job behaviours representing task, citizenship, and counterproductive performance. Results here show that, in addition to positively influencing core task performance, education level is also positively related to creativity and citizenship behaviours and negatively related to on-the-job substance use and absenteeism.

According to Ruzevicius (2006), the quality of knowledge and the level of education one has gone through, shapes him and overturns organizational performance if well utilized and passed on. This sharing of knowledge should become one of the essential values within an organization. According to Tumwine et al., (1997), it is widely recognized that formal education positively impacts on managerial decisions that increases business growth opportunities. This indicates that more educated employees have the necessary skills, discipline, motivation, information and self-confidence to attain higher growth rates in their work place; hence, they are more likely to perceive and exploit business opportunities to better performance (Ucbasaran et al., 2008). Secondary, education provides knowledge that may help overcome financial constraints and foster business growth (Honjo, 2004).

It therefore of no doubt that successful companies tend to be those that continually put emphasize on skills and knowledge of their employees, rather than on assets, such as plants or machinery (Maheran et al., 2009). Mavridis (2004) further observed that highly-
skilled and qualified individuals are needed to facilitate the delivery of high value-added products and services as well as the competences to build consumers’ confidence and trust. Maheran et al. (2009) crowned it all by stating that in an increasingly complex and more liberal environment, the competitiveness of manufacturing firms will depend critically on the quality of employee’s qualification. Limited literature on the link between employee education level and influence on implementation of public financial management principles in Kenya particularly at the county level calls for more studies in the area in order to understand the influence that the education level of county employees influence the implementation of public financial management and other reforms currently on-going in the public sector.

2.3 Human Capital Training and Implementation of PFM

This section reviews literature on the effect of human capital training on public financial management. The section first reviews the concept of training as a human capital indicator and then the effects of training on public financial management.

2.3.1 Concept of Training as Human Capital

Training is a key part of a broader field of human resource development and theories on learning have emphasized the need for strategic leadership that communicates the organization vision and mission clearly to enable employees understand the organization objectives for optimum performance (Cole, 2002). Opportunities for training and development are major factors in regards to people’s career. Training factors are evaluated in recruitment process. Bartlett (2001) found a positive relationship between workplace training and organizational commitment. From an employee stand point, a training received is related to a significant portion of satisfaction experienced on the job, employee’s value training and job. Examined on another level, employees view training as an aspect that allow them to be better able to offer customer satisfaction since they are already satisfied them and will increase their performance levels.

Training employees shows a strong commitment that an employer has with employees and demonstrate the value that an employer has on the employees. Schmidt (2004) in his study on the relationship between workplace training and overall job performance found
out that components of job training and time spent in training determined a significant relationship to employee performance on the job. The quality of training has maximum impact on performance since work output of an employee would be dependent on the experience level that employee would have acquired (Sahu, 2000).

The training impacts on performance in that it determines whether one will keep the job at hand or lose it altogether if not well done. A common cause of job dissatisfaction is that the staffs do not have the basic skills required for their job. The struggle to finish or accomplish an assigned work is seen and as a result the gap between their skill level and the expected performance keep them away from job satisfaction. Armstrong (2006) points out that a needs analysis that is fully involving and inclusive of all employees must be carried out before any training is done. In particular, Mullins (2007) notes that employees need to be trained and developed inclusively to avoid talent loss that affect performance of other employees and the whole organization.

In today’s rapidly changing socio-economic environment, where the importance of competencies and skills acquired and refined has been widely recognized (Gove, 2012). Over the past decade, new dynamics have emerged in the domain of education that focuses on training and development of employees as well as accelerating the rate of knowledge economic growth (Powell & Snellman, 2004). The optimization of human resources, by reforming and upgrading their knowledge is the key to staff development, thus the achievement of organizational goals such as the implementation of public sector management practices (Manente, 2008). However, the coexistence of intrinsically heterogeneous human capital requires the development of specific programs, especially for adult and other non-traditional learners in order to be consistent with the current trends of education and innovation (Walsh, 2009).

Myrna (2009) says effective training is not an isolated event in an organisation. Training must be strategic in that it is designed to improve the knowledge, skills and abilities and abilities of employees to help them achieve the organisation’s strategic plan. Effective training is therefore can’t be designed until there is full understanding of the organisation. Training, according to Armstrong (2006) “is the use of systematic and planned instruction activities to promote learning” (p. 575). It involves the use of formal processes to impart
knowledge and help people acquire the skills necessary for them to perform their jobs satisfactorily.

The focus of training is on practical skills and is concerned with applying and implementing techniques and processes. Therefore, training is investing in people to enable them to perform well and empower them to make the best use of their natural abilities. The objectives of training, as identified by Armstrong are to develop the skills and competences of employees to improve their performance; to help people grow within the organisation in order for the organisation to meet its future human resource needs; to reduce the learning time for employees on appointment, transfer or promotion, and ensure that they become fully competent.

Development, according to Noe, Hollenbeck, Gerhart and Wright (2004), means learning that is not necessarily related to the employee’s current job. Instead, development prepares employees for other positions in the organisation and increases their ability to move into jobs that may not yet exist. Development may also help employees prepare for changes in their current jobs, such as changes resulting from new technology, work designs or customers. Development therefore is about preparing for change in the form of new jobs, new responsibilities, or new requirements. Noe et al (2004), further reiterate that employee development is a necessary effort of a company to improve quality and to meet the challenges of global competition and social change.

Lundy et al (2004) also observe that there is no all-embracing concept that brings together the processes of education, learning, training and development. However, it must be clear that they are inextricably linked. They share many common principles, e.g., learning theories, assessment and evaluation, and design of programmes, and so there is the need for synthesis. Lundy et al further reiterate that each individual matures over a lifetime and that development is the process, which can enable employees to reach a personal full potential. Development is therefore, for the most part, long term in focus. Education contributes to each individual’s development by facilitating the attainment of mental powers, character and socialisation, as well as specific knowledge and skills.

Huselid (1995), also notes that providing formal and informal training experiences, such as basic skills training, on-the-job experience, coaching, mentoring and management
development can further influence employees’ development and hence, their performance. Training, when well done, will reflect in productivity, that is, productivity will increase, there will be reduction in accidents on the job and in the end profits of the organisation would be maximized; the ultimate goal of every employer. Dessler (2003) also sums up how training and development influences corporate performance by arguing that developing human capital through continuing training may increase the productive output from each employee either through improvement in skill level or through improvement in morale and job satisfaction.

Training is designed to provide learners with the knowledge and skills needed for their present job (Fitzgerald, 1992) because few people come to the job with the complete knowledge and experience necessary to perform their assigned job. Becker (1962) provides a systematic explanation of investment in human capital and associated productivity, wages, and mobility of workers. Such investment not only creates competitive advantages for an organization (Salas & Cannon-Bowers, 2001), but also provides innovations and opportunities to learn new technologies and improve employee skills, knowledge and firm performance. In fact, there is an increasing awareness in organizations that the investment in training could improve the performance of the employees in terms of implementing the public financial management practices in the county governments.

2.3.2 Effects of Training on PFM

Research has strongly suggested that training is related to organizational-level outcomes (Kozlowski et al., 2000). It should be noted that a variety of models found in the strategic human resource management literature are utilized to explicate how training is likely to result in better organizational outcomes. For example, a conceptual framework incorporating six theoretical models (e.g., the resource based view of the firm, the behavioral perspective, and cybernetic systems perspective) is developed by Wright and McMahan (1992) in order to thoroughly investigate strategic human resource management. According to their framework and the theoretical models, human resource management practices influence the human resource capital pool and human resource behaviors; human resource behaviors then lead to firm-level outcomes.
Again, according to Collins and Druten (2003) researchers have produced compelling evidence for the causal link between how people are managed and organisational performance. They argue that the effectiveness of human resource practices, particularly employee selection procedures, performance appraisals, rewards and benefits management, and employee training and development (the matching model of HRM) often have a direct bearing on organisational productivity and performance. Contributing to this assertion, Schuler and Macmillan (1984) present that, the result of effectively managing human resources is an enhanced ability to attract and retain qualified employees who are motivated to perform. To them, the benefits of having the right employees motivated to perform include greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance and implementation of corporate strategy. These invariably lead to higher productivity.

Ombui, Kagiri and Omoke (2012), sought to establish the influence of training and Development on the performance of employees in research institutes in Kenya. There is growing evidence that human resource management practices can play an important role in attaining high quality workforce. Training and development has been specifically singled out as a major human resource management practice that can have an influence on the level of employee performance in organizations. Research institutes in Kenya have been facing performance challenges and there is need, therefore, for them (Research Institutes) to equip their employees with relevant skills. The quality of employees in terms of skills recruited by research institutes in Kenya is viewed as a possible intervention (Ombui, Kagiri & Omoke, 2012).

The overall objective of the study was to determine how Training and development influence employee Performance in research institutes in Kenya. The study adopted the null hypothesis that Training and Development do not influence employee performance in research institutes in Kenya. The study adopted descriptive and correlation research designs while the study population was drawn from all Government owned research institutes formed under the Science and Technology Act. Cap 250. The target population was drawn from the research institutes that were within Nairobi county and its environs. The study adopted stratified sampling technique while the sample size was 256 employees.
The study used questionnaires to collect data while Cronbach’s alpha was used to test the validity and reliability of the instruments. A statistical package for social sciences (SPSS) was used to analyze quantitative data while data was presented using statistical techniques such as tables, bar-graphs and pie charts. The results of the study revealed that the correlation between employee performance and Training and Development were highly significant at 0.383 (P=0.000). The study recommended that research institutes initiate Training and Development programs that are relevant to their needs.

2.4 Human Capital Experience and implementation of PFM

This section reviews literature on the effect of human capital experience on public financial management. The section first reviews the concept of experience as human capital indicators and then the effects of experience on public financial management.

2.4.1 Concept of Experience as Human Capital

Extensive experience of activities in a domain is necessary to reach very high levels of performance. Extensive experience in a domain does not, however, invariably lead to expert levels of achievement (Ericsson, 2002). When individuals are first introduced to a professional domain after completing their basic training and formal education, they often work as apprentices and are supervised by more-experienced professionals as they accomplish their work-related responsibilities. After months of experience they typically attain an acceptable level of proficiency, and with longer experience, often years, they are able to work as independent professionals. At that time most professionals reach a stable, average level of performance, and then they maintain this pedestrian level for the rest of their careers. In contrast, some continue to improve and eventually reach the highest levels of professional mastery (Ericsson, 2003).

Studies show that every healthy person will improve initially through experience, but these improvements are eventually limited by innate factors that cannot be changed through training; hence attainable performance is constrained by one’s basic endowments, such as abilities, mental capacities, and innate talents. This general view also explains age-related declines in professional achievement owing to the inevitable degradation of general capacities and processes with age (Ericsson, 2003).
Researchers of expert performance have found that there are many types of experience and that these different types have qualitatively and quantitatively different effects on the continued acquisition and maintenance of an individual’s performance (Ericsson, 2002). This framework proposes that some types of experience, such as merely executing proficiently during routine work, may not lead to further improvement, and that further improvements depend on deliberate efforts to change particular aspects of performance.

Contemporary theories of skill acquisition (Anderson, 1982) are consistent with Galton’s general assumptions about basic un-modifiable capacities and with observations on the general course of professional development. When individuals are first introduced to a skilled activity such as driving a car, typing on a computer, or playing golf, their primary goal is to reach a level of proficiency that will allow them to perform these everyday tasks at a functional level. During the first phase of learning (Fitts & Posner, 1967), beginners try to understand the requirements of the activity and focus on generating actions while avoiding gross mistakes.

Meanwhile skill level is the ability to accomplish some phase of management work. Skills are learned and developed with experience, training and practices (Anderson, 1977). Experience of employee is a measure for skill levels. An employee is expected to improve his/her skill level depends on the length of time employed with the organization. The longer the time employed, an employee would be more experience and better skill obtained. Therefore, may increase his/her productivity and job performance. Certainly, a person with previous experience is frequently employed by employers to fit for the knowledge and skill that contributes to performance. Experience allows the accumulation of skills and knowledge that make an employee productive and valuable (NikKamariah, 1997).

According to Bergmann (1986), people can make contacts, learn new skills and gather information that promotes future performance potential during work experience. A number of personal variables have been identified in the literature. For example, Churchill, Ford, Hartley, and Walker (1985) propose that experience and skill can be important determinants of job performance. An experience of salesperson has been posited as another important predictor of job performance (Behrman & Perreault, 1984).
A study by Bartkus, Peterson and Bellenger (1989) found experience of 245 real estate salespeople was positively effect on performance. It suggests that more experience of the people results in high level of performance.

Over the past two decades, a growing number of management and HR professionals have argued that investment in sound HRM practices and programs pays off for an organization through improved productivity and superior financial performance. Peter Drucker (2002) and several other writers (such as Greer, 2001) suggested that the success of organizations in the present competitive environment largely depended upon the caliber of their human resources and innovative employee management programs and practices. In a widely cited study, Huselid (1994), for instance, has demonstrated that well-formulated HRM programs not only reduce employee turnover but also make a substantial contribution to financial performance and productivity (Delaney & Huselid, 1996). Several case studies have reached similar conclusions. Anthony et al. (2002), for instance, attribute Southwest Airline’s continued success, remarkable level of efficiency and customer satisfaction to its HR strategy and the special bond it has established with its employees. Recent research on best HR practices has shown that the HR function is indeed an important success factor (Thompson & Strickland, 2001; Greer, 2001).

2.4.2 Effects of Experience on PFM

Naceur and Varatharajan (2000), investigates the relationship between participation on job performance among managerial employees in the Public Service Department in Malaysia shown to have significant positive association with experience and employees participation and job performance. Likewise, Almeida et al (2003) examining the relationship between experience and performance frequently treat work experience as a substitute of knowledge. Dokko, Wilk and Rothbard (2008) proposed psychological theory to propose socio-cognitive factors that interfere with the transfer of knowledge and skill acquired from prior work experience. The finding shows that task relevant knowledge and skill mediates the relationship between prior related experience and job performance. The study also suggests that the positive effect of prior related experience on task relevant knowledge and skill is attenuated by higher levels of experience within the current department.
Organizations hire on the basis of work experience because they expect experienced workers to perform better (Rynes et al. 1997). Indeed, prior experience is often used by employers as an expedient proxy for the knowledge and skill that contributes to performance. Similarly, researchers studying the relationship between experience and performance often treat work experience as a proxy for knowledge (Almeida et al. 2003, Huckman & Pisano 2006), yet the two constructs (experience and knowledge) are theoretically and practically distinct (Quinones et al. 1995). Task-relevant knowledge can result from work experience, but it is not the only outcome.

Prior work experience can also lead to habits, routines, and other cognitions and behaviors that may or may not be useful for performance when applied in a different context. Moreover, not all work experience generates equally useful knowledge and skill; jobs that involve similar work activities are more likely to provide opportunities to develop relevant knowledge and skill that can be applicable to performance in a new context than jobs with unrelated work activities. Work experience may improve performance, but only indirectly via relevant knowledge and skill, because prior work experience provides the opportunity for individuals to acquire relevant knowledge and skill that can, in turn, enhance performance in the job (Borman et al. 1993).

Related work experience could have a negative effect on performance through institutional mechanisms (i.e., norms) or cognitive mechanisms (i.e., schemas and scripts) that lead to rigidities in behavior or thinking. First, working in related jobs over long periods of time may indicate that an individual has become invested in the institutional norms and standards of a particular occupation or industry (McCall 1990). Occupational norms and standards are well defined enough to result in communication difficulties across occupational boundaries (Bechky, 2003). Particularly for occupations that are more professionalized (Abbott 1991), individual adherence to institutional norms and practices may be more strongly mandated and become taken for granted. Similarly, industry characteristics could become increasingly salient over time and across positions held within an industry.

Though firms vary within industries, there are industry-level norms and values (Chatman & Jehn 1994) that can become more ingrained as experience in an industry increases, leading to fixed assumptions about how work activities should be approached.
Occupational and industry experience is situated in organizations, which have their own organizational norms. Thus, the experience of working in one organization can be quite different from working in a similar position at another organization.

The primary mechanism in the transfer of experience is the acquisition and application of task relevant knowledge and skill. Prior work experience provides the opportunity for knowledge acquisition, and prior related work experience provides not only opportunity but also greater potential applicability of that knowledge to the new context. Further, prior related work experience may increase performance only indirectly via related knowledge and skill, because related work experience provides the opportunity for individuals to acquire relevant knowledge and skill that can in turn enhance performance in the current job (Borman et al. 1993, Schmidt et al. 1986). Therefore, we expect that prior related work experience will have a positive indirect effect on performance and influence the implementation of PFM in counties through the mechanism of task-relevant knowledge and skill.

Oyewole (2006), carried out a study that investigated the influence of teaching experience on job performance of secondary school teachers in Ekiti State, Nigeria. The descriptive survey research design was used to carry out this study. Stratified proportionate random sampling techniques were adopted to select 500 teachers used for the study. One research instrument named Teachers’ Job Performance Questionnaire (TJPQ) was used to collect data. The study revealed that there was a significant relationship between teacher’s years of experience and teacher’s job performance. Based on the findings, it was recommended that Ekiti State Teaching Service Commission should make use of years of experience in the appointment of teachers to duty posts such as head of departments, vice-principals and principals of schools to enhance optimal performance.

2.5 Chapter Summary

This chapter was a presentation of the literature on human capital and public financial management. The chapter has presented general literature on human capital and performance at the work place as well as literature on various dynamics of human capital and their influence on the performance of the employee. This has been related to the ability of human capital to implement the PFM practices in county governments in
Kenya. The study identifies that there is lack of literature on how the various measures of human capital such as education level, work training programs and professional experience influence the implementation of PFM at the county level in Kenya. This study will therefore attempt to fill this gap in literature by focusing on human capital and its influence on PFM implementation in Busia County, Kenya. The next chapter is the research methodology.
CHAPTER 3

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology. First, a presentation of the research design is provided. This is followed by an explanation on the target population, description of research instruments, a description of data collection procedures and a description of data analysis procedures.

3.2 Research Design

Research design is the blueprint for conducting the study that maximizes control over factors that could interfere with the validity of the findings. Designing a study helps the researcher to plan and implement the study in a way that helps the researcher to obtain intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns and Grove, 2001). This is a descriptive research design. This design was selected because it enabled the researcher to describe the relationship between the variables in the study. This was therefore the appropriate research design in this study. This study design was named based on the classification by method of analysis as espoused in Mugenda and Mugenda (2003).

3.3 Population and Sampling Design

3.3.1 Population

The population of a study can be defined as the total number items, entities or individuals that are being studied by a researcher in a research study. Kothari (2006) defines it as a specific set of individuals, cases or objects that have some common observable characteristics that are distinct from any other population. This was therefore considered to be the entire population that was the focal point of the study and this means that the data can be collected from either the entire group or from some of the members of this group.
The target population has also been defined by other researchers such as Stewatt and Kamins (2000) who define it as the population from which data is collected from for the study and the results are generalized to it. It is important to clearly describe the target population for a study since this makes it easy for the researcher to collect the right data and in the appropriate place and time. The target population of this study was all the county employees of Busia County in Kenya since these are the people responsible for implementation of public financial management reforms. Busia County is in Western Kenya and since this is one of the counties implementing PFM reforms in Kenya. The population was the 425 employees of Busia County Government. This is shown in Table 3.1.

Table 3.1: Population

<table>
<thead>
<tr>
<th>Department</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources</td>
<td>56</td>
<td>13</td>
</tr>
<tr>
<td>Accounting and Finance</td>
<td>112</td>
<td>26</td>
</tr>
<tr>
<td>Procurement</td>
<td>45</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>212</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>425</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Cooper and Schindler (2006), a sample frame is a list of elements from which the sample is actually drawn and is closely related to the population. It is complete and correct list of population members only. Saunders, Lewis, and Thornhill, (2007) define a sample frame as the complete list of all the cases in the population from which the sample is drawn. The sampling frame for this study was the list of employees of Busia County Government from all the departments in the county.

3.3.2.2 Sampling Technique

A sampling technique is the method of selecting elements from the population that represents the population (Collis and Hussey, 2006). In this study, a stratified sampling technique based on the departments in the county government was used to select the sample.
3.3.2.3 Sample Size
Due to the nature of the research problem and the dynamics of the target population of this study, the researcher found it necessary to select an appropriate sample to represent the entire population. A sample of 30% was selected from the three main departments which are human resources department, accounting and finance department, and procurement departments, as well as from the other departments. The total sample for the study was therefore 129 employees in the county of Busia, Kenya. This is shown in Table 3.2.

Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Department</th>
<th>Population</th>
<th>Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources</td>
<td>56</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Accounting and Finance</td>
<td>112</td>
<td>34</td>
<td>26</td>
</tr>
<tr>
<td>Procurement</td>
<td>45</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>212</td>
<td>64</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>425</strong></td>
<td><strong>129</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods
For purposes of this study, primary data was obtained through a questionnaire that was structured to meet the research questions. The questions were both open and closed. The closed ended questions helped capture the results that were quantified during analysis. The open ended questions helped in eliciting responses that were qualitatively analysed and helped capture the issues that were relevant to the study but could not be captured by structured questions. This Questionnaire is in five parts:

i. Part A – Questions on background information.

ii. Part B – Questions on the effect of education on public financial management.

iii. Part C – Questions on the effect of training on public financial management.

iv. Part D – Questions to effect of experience on public financial management.

3.5 Research Procedures
Research procedures involve the procedures that the researcher used to collect the type of data identified as crucial for the current study. The questionnaires were developed based on the research questions set out earlier. After developing the research instruments, the researcher sought permission to use them from the University. They were then pre-tested
for validity and reliability through a pilot study. In order to test the validity of the questionnaire, a pilot test- adhering to the fundamentals tested by Cooper and Schindler, (2006) who stated its importance as being a tool that can be utilized so as to detect weaknesses in the research design and the instruments. The questionnaires were then administered through a drop and pick later method where the researcher gave a two week duration for the respondents to fill them and then go back to collect them.

3.6 Data Analysis Methods

After collection of data and testing for reliability, the questionnaires were coded and analyzed with the aid of the Statistical Package for Social Sciences (SPSS). Then, the study used descriptive statistics to interpret the results. The descriptive statistics here were the percentages. The results are presented in charts as they are found most appropriate for this study. The analysis is done based on each of the research questions of the study and the results interpreted and reported in chapter four of this paper.

3.7 Chapter Summary

This chapter has presented the research methodology and the methods the researcher used to collect the data and analyse it. The chapter shows that the study used a descriptive study design since this is considered to be the most appropriate design based on the research problem and the study questions that the study sought to address. The chapter then presents the target population. Next, the chapter shows that data was only collected from primary sources through the use of questionnaires designed on the basis of the research questions. Finally, the chapter shows the methods and procedures that the researcher used to analyse the data. The next chapter presents the results.
CHAPTER 4

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results of the study. First, the results on the demographics of the results are presented. This is followed by the results on the effect of education on public finance management in Busia County. Then, the results on the effect of training on public financial management are presented. The next section then presents the results on the effect of experience on public financial management. Finally, the chapter summary is presented.

4.2 Demographics

This section presents the demographic results. The specific demographics are gender of the respondents, age of the respondents, length of service at Busia County, the departments from which they were drawn, their designations, and their highest levels of education.

4.2.1 Gender of the Respondents

The respondents were asked to state their gender. The results are shown in Figure 4.1.

![Figure 4.1: Gender of respondents](image)

The study found that 64% of the respondents were male and 36% were female. This is consistent with the Personnel records of the Busia County government as there are
generally more male employees than female. However, the two-thirds gender rule is observed.

4.2.2 Age Distribution of the Respondents

The respondents were asked to state their ages. The results are shown in Figure 4.2.

![Age Distribution of the Respondents](image)

**Figure 4.2: Age of the respondents**

As shown, it is revealed that 52% were aged below 30 years, 43% were aged 31-40 years and 5% were aged 41-50 years. Most of the respondents were therefore youthful as about half of the respondents were aged below 31 years of age. This youthful composition of the respondents is consistent with the age pyramid of Kenyan workforce as most of the workers are youthful in a number of organisations and county government offices.

4.2.3 Length of Time Working at Busia County

The respondents were also asked to state how long they had been working for Busia county government. This question also sought to know how many had been working in the defunct Busia County Council. The results are shown in Figure 4.3.
Figure 4.3: Length of time respondents had worked in Busia County

As shown in the results above, the study found that 5% had worked for less than a year, 86% for 1-5 years, none for 6-10 years 9% for over ten years. This is consistent with devolution as most people (91%) were new staff in the county government while just about 10% had worked for the previous Busia County Council and transferred to the new Busia County government after devolution.

4.2.4 Departmental Distribution of Respondents

The study also sought to determine what departments the respondents were from. The results are shown in Figure 4.4.

Figure 4.4: Departmental distribution of respondents
The study found that 41% were from Finance & Accounts department, 14% from County Assembly department and another 14% from procurement. The Internal Audit department, Research & Library department, and the Human Resource Office each had a 9% representation.

4.2.5 Designations of the Respondents

The respondents were asked to state their designations in the organisation. The results of the responses are shown in Figure 4.5.

![Figure 4.5: Designation of respondents](image)

The results show that 35% were clerical officers, 15% were procurement officers, 15% were financial analysts and 10% were accountants. From these results, 40% were accountants, financial analysts and procurement personnel who engage in PFM within their roles and therefore capable of understanding the issues addressed in this study.

4.2.6 Levels of Education of the Respondents

The study also sought to find out the highest levels of education of the respondents and the responses are shown in Figure 4.6.
The results show that 32% had college diplomas, 59% had first university degrees and 9% had second university degrees. Since most of the respondents had at least a first degree, these respondents were capable of responding to the questions on PFM implementation in their departments and in the organisation as a whole.

4.3 Educational Level of Human Capital and PFM Implementation

4.3.1 Rating of Educational Levels of Others

The respondents were asked to state how they would describe the educational levels of employees in the county government. The results are shown in Figure 4.7.
The study found that 32% rated it as fair, 59% as good and 9% as very good. This suggests that the respondents rated the educational levels of others in the county highly. This is consistent with the findings that most of the respondents in the study also had at least a degree and therefore the educational levels of employees in Busia County is high.

4.3.2 Whether County Government Allows Further Education of Employees

The respondents were also asked to state whether the county government of Busia allows employees to get further education while working for the county government. The results are shown in Figure 4.8.

![Figure 4.8: Whether the county allows further education for employees](image)

The study found that 95% of the respondents agreed that the county government of Busia allows the employees to seek further education. This suggests that indeed the county government of Busia does not disallow anyone from the county government to seek further education. This is important for purposes of equipping the county government staff with current knowledge on various aspects of work.

4.3.3 Whether County Government Facilitates Further Education of Employees

The respondents were asked to state whether the county government facilitates education of its employees through financial assistance. The responses are shown in Figure 4.9.
The results show that only 24% of the respondents agreed that the county government facilitates employee education by paying for them while 76% disagreed. This shows that most of the respondents had never been supported by the county government to go for further education and can be explained by the fact that most of them recently joined the county government and have not stayed long enough to benefit from such programmes even if they exist.

4.3.4 Recommended Educational Programs for County Employees
The respondents were further asked to recommend educational programmes for the staff in order to improve public financial management in the county. The results are shown in Figure 4.10.

Figure 4.10: Recommended educational programs for county employees
As shown, the respondents recommended more educational programs on IFMIS as well as the PFM Act. These respondents also recommended more educational programmes in PPOA. The second-most recommended programs were finance and accounting which were closely related to the third-most recommended programs in CPA and CPS.

4.3.5 The Effect of Education on PFM Implementation

The respondents were asked to state the extent to which they believed that education of employees affect public financial management in Busia County Government. The results are shown in Figure 4.11.

![Figure 4.11: Extent to which education affects PFM implementation](image)

The results show that 41% agreed to some extent and 59% agreed to a great extent. Thus, the respondents were all in agreement that educational qualifications of employees in the county government influence the implementation of PFM in the county.

4.4 Workplace Training of Human Capital and PFM implementation

4.4.1 Existence of Departmental Training Programs in PFM for Employees

The respondents were asked to whether the staff of Busia County have any training programs for various departments. The results are shown in Figure 4.12.
The study found that 64% of the respondents agreed while 36% disagreed. Thus, majority of the respondents were in agreement that their departments conducted trainings in public financial management. It is clear from these results that not all departments were the focus of PFM trainings in the county.

4.4.2 Frequency of Financial Management Training Programs

The respondents were asked to state how often financial management trainings were carried in the Busia County government. The results are presented in Figure 4.13.
The study found that most of the respondents noted that the trainings were done annually (64%) while about a third noted that they were done quarterly (36%). This can be explained by the fact in some departments like Finance & Accounting, the frequency of conducting these trainings differed from those in other departments like Human Resources.

4.4.3 Trainings Venues
The respondents were asked to state where the financial management trainings were held. The results of the analysis are presented in Figure 4.14.

![Figure 4.14: Training venues for PFM](image)

The study found that 43% of the respondents noted that the trainings were conducted within the county, 57% said they were conducted outside the county. Thus, for most of the respondents, the trainings happened outside the county. This was actually the most preferred venue for such trainings especially at the Kenya School of Government or at the coastal city of Mombasa.

4.4.4 Persons Conducting Financial Management Training Programs
The respondents were asked to name the persons that conducted the financial management trainings. The results are presented in Figure 4.15.
The study found that 50% noted that these trainings were conducted by the National government, 7% noted that the trainings were conducted by the county government and 43% noted that external consultants conducted the trainings. Thus, both levels of government were heavily involved in training the employees in the county on public financial management.

**4.4.5 Persons Selected for Training Programs in Financial Management**

The respondents were asked to name the people who were selected for the financial management trainings in the county. The results are shown in Figure 4.16.

![Figure 4.15: Persons conducting financial management trainings](image1)

![Figure 4.16: Persons selected for PFM trainings](image2)
The study found that 29% of the respondents noted that a few people from all departments were trained, 71% said a few people from finance department were trained. These results confirm that the focus of most of the trainings on public financial management was the finance department where majority of them were trained as opposed to other departments of the county government of Busia.

4.4.6 Proportion of Trained Respondents in PFM

The respondents were asked to state whether they had been personally trained on PFM as the Busia County government staff. The results are shown in Figure 4.16.

![Figure 4.17: Proportion of respondents trained on PFM](image)

The results show that 32% of the respondents agreed that they had been trained while 68% disagreed. This shows that just about a third of the Busia County government staff had been trained on PFM and these are mostly from Finance and Accounting departments as other departments are left out of these trainings.

4.4.7 Period of Financial Management Trainings

For the respondents who agreed that they had been trained on PFM, they were asked to state how long ago they had received the training. The results are presented in Figure 4.18.
The results show that 28% had been trained more than a year ago, 29% about a year ago, 29% had been trained about six months ago, and 14% had been trained about a month ago. Those, most of the respondents had just been recently trained on public financial management in Busia County government.

4.4.8 The Effect of Training on PFM in Busia County
The respondents were asked their general opinion on the extent to which they thought training affects public financial management in Busia County government.
The results are presented in Figure 4.19. As the results show, 36% said training affects PFM to some extent, 59% said it does so to a great extent and 5% said it does not. From these results, it is confirmed that most of the respondents are convinced that training influences PFM implementation in the county.

4.4.9 Satisfaction with the levels of employee training on PFM

The respondents were also asked to rate their satisfaction with the levels of employee training on public financial management in the county. The results are shown in Figure 4.20.

![Pie chart showing satisfaction levels]

**Figure 4.20: Satisfaction with the levels of employee training on PFM**

The results show that only 5% were very satisfied, 18% were satisfied, 73% were dissatisfied, and 4% were very dissatisfied. These results therefore suggest that most of the respondents were dissatisfied with the levels of employee trainings are regards the implementation of PFM in the county. This can be attributed to the fact that most of the respondents had not been trained on PFM.

4.5 Professional experience of human capital and PFM implementation

4.5.1 Years of Involvement in PFM Issues

The respondents were asked to state how long they had been involved in public financial management issues. The results are presented in Figure 4.21.
The study found that 32% had never been involved in the PFM issues, 23% had been involved for less than a year, and 41% had been involved for 1-3 years. The results also showed that 5% had been involved for 4-6 years. These results confirm that most of the respondents had not been involved in PFM for long and coincides with the length of period they had been employees of Busia County as well as the age of devolution in Kenya.

### 4.5.2 Importance of PFM to Busia County Government

The respondents were asked to state, in their opinion, the importance of public financial management to Busia County. The results are shown in Figure 4.22.
As the results show, 18% agreed that PFM was important and 82% said PFM was very important for the county. Thus, all the respondents confirmed that, indeed, PFM was important for Busia County. As a basis of county development, the respondents understand that public financial management is very important as an issue that all stakeholders must understand and be involved in.

4.5.3 Importance of PFM to Individuals

The respondents were further asked to state the importance of public financial management to them. The results are presented in Figure 4.23.

![Figure 4.23: Importance of PFM to individuals](image)

The results show that 9% said it was important to them and 91% said it was very important to them. Again, this underscores the fact that all the respondents were in agreement that the public financial management had personal importance. Thus, knowledge of PFM is key to all the employees of Busia County.

4.5.4 Experience of County Staff in PFM

The respondents were further asked to state whether the staff at Busia County government were experienced in terms of public financial management. The results are presented in Figure 4.24.
The results show that 27% of the respondents agreed while 73% disagreed. This means that most of the respondents were doubtful about the experiences of the staff in terms of PFM. This can also be explained by the newness of most county staff and lack of trainings in PFM as had been revealed in this study.

### 4.5.5 Effect of Employee Experience on PFM in Busia County

The respondents were also asked to state whether employee experience affects public financial management in the county. The results are presented in Figure 4.25.

As the results show, 32% of the respondents noted that it does to some extent and 68% said it does to a great extent. From these results, it can be deduced that the respondents
are all in agreement that employee experience is a significant factor influencing PFM implementation in Busia County.

### 4.5.6 Extent to Which County Government Focuses on Employee Experience

Finally, the respondents were asked to state the extent to which they county government of Busia focuses on employee experience during employment. The results are presented in Figure 4.26.

<table>
<thead>
<tr>
<th>Extent of Focus</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great extent</td>
<td>14%</td>
</tr>
<tr>
<td>Not at all</td>
<td>14%</td>
</tr>
<tr>
<td>Little extent</td>
<td>18%</td>
</tr>
<tr>
<td>Some extent</td>
<td>54%</td>
</tr>
</tbody>
</table>

**Figure 4.26: Extent to which Busia County government focuses on experience**

The study found that 14% said the county government does not look into experience when employing, 18% said it does so to a little extent, 55% said it does so to some extent, and 14% said it does so to a great extent. From these results, it can be deduced that majority of the respondents were in agreement that the county government of Busia focuses on employee experience as a prerequisite for employment in the county.

### 4.6 Chapter Summary

This chapter has presented the results of the study. The demographic results have been presented. This is followed by the results on the effect of educational level of human capital on PFM implementation. The fourth section presented results on the effect of workplace training on PFM while the last part has presented the results on the effect of employee experience on PFM. The next chapter presents the discussion, conclusion and recommendations of the study.
CHAPTER 5

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of findings, the conclusions of the study, and recommendations of the study. The presentation begins with a summary of the study. This is followed by a discussion of results. Finally, the recommendations are made.

5.2 Summary of the Study

The purpose of this study was to evaluate the influence of human capital on the implementation of public financial management in Busia County, Kenya. The study sought to answer the following research questions: how does education level of human capital influence the implementation of PFM in Busia County, Kenya? How do workplace training and development programs of human capital influence the implementation of PFM in Busia County, Kenya? How does professional experience of human capital influence the implementation of PFM in Busia County, Kenya?

This was a descriptive research design. The population of the study was 425 employees of Busia County Government. The sample size was 129 employees from which 88 responses were received. The sample was selected using stratified random sampling technique. Primary data was collected using questionnaires. They were pre-tested for validity and reliability through a pilot study. The questionnaires were administered through a drop and pick later method. Data was analysed using descriptive statistics especially percentages and the results presented in charts.

The study found that 41% agreed of the respondents agreed that education affects public financial management Busia County to some extent and another 59% agreed that it does so to a great extent. Thus, the respondents were all in agreement that educational qualifications of employees in the county government influence the implementation of PFM in the county. The results also showed that on the effect of training on public financial management in the county, 36% said training affects PFM to some extent, 59% said it does so to a great extent and 5% said it does not. From these results, it is confirmed
that most of the respondents are convinced that training influences PFM implementation in the county. On the effect of employee experience on public financial management, 32% of the respondents noted that it does to some extent and 68% said it does to a great extent. From these results, it can be deduced that the respondents are all in agreement that employee experience is a significant factor influencing PFM implementation in Busia County.

5.3 Discussion of Findings

5.3.1 Effect of Education on the Implementation of PFM in Busia County

The study found that the respondents were all in agreement that educational qualifications of employees in the county government influence the implementation of PFM in the county. Majority of the respondents had higher educational qualifications when joining the county government. Further, the results showed that the county government was not opposed to anyone furthering their education, though it does not support the same directly through funding at the moment.

Therefore, the skills and knowledge gained from further studies as well as from the tertiary education has been instrumental in seeing the staff involved in public financial management better implement it within the county. This is consistent with human capital literature on the positive outcomes of education in an organisation. For instance, Thomas & Fieldman (2009) had indicated that the growth of output in many advanced countries is significantly affected by the improvements in intangible human characteristics such as education.

5.3.2 Effect of Training on the Implementation of PFM in Busia County

The results showed that most of the respondents are convinced that training influences PFM implementation in the county. While few individuals had been trained as the trainings in PFM were restricted to just a few departments such as finance and accounting, majority of the respondents were in agreement that these trainings were important in improving the quality of human resources in the county. These trainings ranged from quarterly to yearly and were mostly done outside the county (Nairobi or Mombasa) with government officials mostly conducting the trainings.
Most of these trainings were also recent ones (less than a year since the last time most of the respondents had been trained). Overall, the satisfaction levels with the trainings were low. These results on the effect of training on PFM implementation are consistent with those of previous empirical studies. For instance, Ombui et al. (2012) found a positive link between training and development and employee performance in research institutes in Kenya.

5.3.3 Effect of Experience on the Implementation of PFM in Busia County

Many of the employees of Busia County government have not been involved with PFM for a long time and therefore have little to no experience. However, they agree that PFM is important not just to the county government but to themselves as employees of the county. Experience is also one of the important factors that the county government of Busia focused on when employing staff.

This study found that the respondents were all in agreement that employee experience is a significant factor influencing PFM implementation in Busia County. These results are consistent with previous literature. For instance, a study in Nigeria by Oyewole (2006) on the influence of teaching experience on job performance of secondary school teachers revealed that teacher experience was critical for performance. Therefore, the professional experience of employees in Busia county is key to the implementation of PFM in the county.

5.4 Conclusions of the Study

5.4.1 Effect of Education on the Implementation of PFM in Busia County

The study found that the respondents were all in agreement that educational qualifications of employees in the county government influence the implementation of PFM in the county. Consistent with literature, it is concluded that educational component of human capital is key to the implementation of PFM in Busia County. The level of education of the staff responsible for the implementation of PFM in Busia County is important as it determines the success or failure of the process.
5.4.2 Effect of Training on the Implementation of PFM in Busia County

The results showed that most of the respondents are convinced that training influences PFM implementation in the county. Consistent with prior studies, this study concludes that employee training in public financial management courses is key to the success of the implementation of PFM in Busia County. Thus, a focus on workforce training in order to improve the level of skills of employees responsible for PFM in the county is important for its success.

5.4.3 Effect of Experience on the Implementation of PFM in Busia County

This study found that the respondents were all in agreement that employee experience is a significant factor influencing PFM implementation in Busia County. Consistent with literature, the study concludes that for the success of public financial management implementation in Busia County, the professional experience of employees is a key ingredient. Specific years of experience in directly dealing with the PFM systems is important for the favourable outcome of any PFM programs in the county.

5.5 Recommendations of the Study

5.5.1 Effect of Education on the Implementation of PFM in Busia County

The results have shown the importance of education on PFM implementation. It is therefore recommended that more educational programs that can boost the PFM implementation in the county be designed and employees encouraged to take part in. These include financial management courses, CPA & CPS, public administration, procurement management and general business management.

5.3.2 Effect of Training on the Implementation of PFM in Busia County

The results showed that most of the respondents are convinced that training influences PFM implementation in the county. Thus, a number of trainings are required especially on the IFMIS for most of the employees. Other required trainings are in specific acts such as public procurement Act and PFM Act. Trainings on business ethics are also important given the levels of corruption in both the national and county governments. Other
trainings are also in required in computer courses as most of the staff at the county level of technology averse.

5.3.3 Effect of Experience on the Implementation of PFM in Busia County

This study found that the respondents were all in agreement that employee experience is a significant factor influencing PFM implementation in Busia County. The study thus recommends that the county mixes the skills set by employing experienced people on public financial management. These can be sought from even the private sector as well as from the public sector. Experienced financial analysts and budgeting experts are key to ensuring smooth PFM implementation.
REFERENCES


Le, T., Gibson, J & Oxley, L. (2005), Measures of Human Capital: A Review of the Literature, New Zealand Treasury Working Paper 05/10


Mugambi, K.W & Theuri F.S (2014), The Challenges Encountered By County Governments In Kenya During Budget Preparation, Journal of Business and Management, 16 (2), 128-134


Dear Sir/ Madam,

RE: EFFECTS OF HUMAN CAPITAL ON PUBLIC FINANCIAL MANAGEMENT IN BUSIA COUNTY

I am a student at United States International University (USIU) undertaking a Master of Business Administration in Finance. This questionnaire is meant to solicit information from employees of Busia County Government concerning the effects of human capital on public financial management.
Please be informed that the study is specifically for learning purposes. Information given will be accorded maximum confidentiality.
I am therefore requesting for your time and for you to answer the questions as freely as possible.

Your cooperation in this study will be highly appreciated.

Yours faithfully,

ANTONETTE KANANI
APPENDIX B

RESEARCH QUESTIONNAIRE ON THE EFFECTS OF HUMAN CAPITAL ON PUBLIC FINANCIAL MANAGEMENT IN BUSIA COUNTY

INTRODUCTION:
This questionnaire intends to solicit information about the effects of human capital on public financial management. It will enable the author to identify these effects as well as make recommendations on how to improve public financial management for the benefits of the organization and its employees. This study is carried out in fulfilment of the requirements for MBA in Finance.

PART A: BACKGROUND INFORMATION
1. What is your gender?
   □ Male
   □ Female
2. What is your age?
   □ 30 years or below
   □ 31 – 40 years
   □ 41 – 50 years
   □ 51 – 60 years
   □ above 60 years
3. In total, how long have you been working for Busia County Government?
   □ Less than one year
   □ Between 1-5 years
   □ Between 6-10 years
   □ Between 10- 15 years
   □ Over 15 years
4. Which department (s) are you working currently?
   ...........................................................................................................................................
   ...........................................................................................................................................
5. What designation are you?
   ...........................................................................................................................................
   ...........................................................................................................................................
6. Kindly indicate your highest level of education
   □ No Formal Education
   □ Primary
   □ Secondary
   □ College
   □ University First Degree
   □ University Second Degree

PART B: EDUCATION AND PFM
7. How would you describe the educational levels of employees in the county Government?
   □ Very Good
   □ Good
   □ Fair
   □ Poor
8. Does the County Government of Busia allow employees to get further education while working at the County Government?

☐ Yes
☐ No

9. Does the County Government facilitate education of its employees through financial assistance?

☐ Yes
☐ No

10. What educational programs would you recommend for the staff in order to improve public financial management in the county?

…………………………………………………………………………………
…………………………………………………………………………………
…………………………………………………………………………………
…………………………………………………………………………………

11. To what extent does education of employees affect public financial management in Busia County Government?

☐ Great Extent
☐ Some extent
☐ Little extent
☐ Not at all

PART C: TRAINING AND PFM

12. Does the staff of Busia County have any training programs for various departments?

☐ Yes
☐ No

13. How often are the financial management training programs carried out?

☐ Weekly
☐ Monthly
☐ Quarterly
☐ Annual
☐ Never

14. Where are the financial management trainings conducted?

☐ Within the county
☐ Outside the county
☐ Not applicable

15. Who conducts the financial management trainings?

☐ National government officials
☐ County government officials
☐ External consultants
☐ Not applicable

16. Who is selected for the financial management trainings?

☐ Everyone
☐ A few people from all departments
☐ A few people from the Finance department
☐ Everyone from the Finance department
17. Have you ever received any public financial management training as a staff of Busia County?
   - Yes
   - No

18. How long ago did you receive the training in public financial management?
   - More than a year ago
   - About year ago
   - About 19 months ago
   - About a month ago

19. To what extent does training affect public financial management in Busia County Government?
   - Great extent
   - To some extent
   - Little extent
   - Not at all

20. How satisfied are you with the levels of employee training on public financial management?
   - Very satisfied
   - Satisfied
   - Dissatisfied
   - Very dissatisfied

PART D: EXPERIENCE AND PFM

21. How long have you been involved in public financial management issues?
   - Never
   - Less than a year
   - 1 – 3 years
   - 4 – 6 years
   - 7 – 9 years
   - Over 9 years

22. In your opinion, how important is public financial management to Busia County?
   - Very important
   - Important
   - Less important
   - Least important
   - Not important

23. How important is public financial management to you?
   - Very important
   - Important
   - Less important
   - Least important
   - Not important

24. In your opinion, are the staff in Busia County government experienced in terms of public financial management matters?
   - Yes
   - No

25. To what extent does employee experience affect public financial management in Busia County Government?
   - Great extent
26. To what extent do you think that the County Government of Busia focuses on employee experience during employment?

- Great extent
- To some extent
- Little extent
- Not at all

The End
## APPENDIX C

### IMPLEMENTATION BUDGET

<table>
<thead>
<tr>
<th>Cost Items</th>
<th>Cost (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Proposal Development</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Photocopying</td>
<td>1000.00</td>
</tr>
<tr>
<td>▪ Flash Disk</td>
<td>950.00</td>
</tr>
<tr>
<td>▪ Materials/ Stationery</td>
<td>500.00</td>
</tr>
<tr>
<td>▪ Telephone Expenses</td>
<td>2000.00</td>
</tr>
<tr>
<td>▪ Transport Expenses</td>
<td>3000.00</td>
</tr>
<tr>
<td>▪ Miscellaneous Expenses</td>
<td>2000.00</td>
</tr>
<tr>
<td>▪ <strong>Total</strong></td>
<td><strong>9,450.00</strong></td>
</tr>
<tr>
<td><strong>2. Data Collection/ Fieldwork</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Photocopying questionnaires</td>
<td></td>
</tr>
<tr>
<td>▪ Distribution and follow up on questionnaires</td>
<td>3,500.00</td>
</tr>
<tr>
<td>▪ Follow up questionnaire</td>
<td></td>
</tr>
<tr>
<td><strong>3. Data Analysis</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Installation of SPSS software</td>
<td></td>
</tr>
<tr>
<td>▪ Printing Expenses</td>
<td>2,500.00</td>
</tr>
<tr>
<td><strong>4. Compilation of final Report</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Spiral binding</td>
<td></td>
</tr>
<tr>
<td>▪ Printing expenses</td>
<td></td>
</tr>
<tr>
<td><strong>5. Miscellaneous</strong></td>
<td>3,000.00</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>20,450.00</strong></td>
</tr>
</tbody>
</table>
# APPENDIX D

## IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Start</th>
<th>Finish</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection of the Topic</td>
<td>October 2014</td>
<td>October 2014</td>
<td>1 week</td>
</tr>
<tr>
<td>Chapter One: Introduction</td>
<td>October 2014</td>
<td>October 2014</td>
<td>3 weeks</td>
</tr>
<tr>
<td>Chapter Two: Literature review</td>
<td>November 2014</td>
<td>November 2014</td>
<td>2 weeks</td>
</tr>
<tr>
<td>Chapter Three: Methodology</td>
<td>December 2014</td>
<td>December 2014</td>
<td>1 week</td>
</tr>
<tr>
<td>Preparation of draft Questionnaire</td>
<td>December 2014</td>
<td>December 2014</td>
<td>2 days</td>
</tr>
<tr>
<td>Data Collection and Analysis</td>
<td>June 2015</td>
<td>June 2015</td>
<td>4 weeks</td>
</tr>
<tr>
<td>Developing and completing of project with supervisor</td>
<td>July 2015</td>
<td>July 2015</td>
<td>4 weeks</td>
</tr>
</tbody>
</table>