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EFFECTS OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF KWALE

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ABSTRACT

This study assessed the effect of Integrated Financial Management Information System on financial performance in Kwale County Government. The study specifically assessed how financial performance in the county is affected by four modules in the system including e-budgeting module, e-procurement module, automated cash management module, and automated financial reporting module. The study adopted descriptive research design and collected data through questionnaires from 137 out of 142 employees sampled through stratified random sampling from the finance and economic planning department, Kwale County Government. The reliability of the instrument was tested using Cronbach's test and the results yielded an alpha index of 0.816. Data was analyzed using both descriptive (mean and standard deviation) and inferential (Chi-square, Cramer's V, Spearman correlation and linear regression) statistics with the help of statistical package for social sciences, Version 21.0. The respondents were indifferent with regard to the impact of electronic budgeting and automated cash management while they affirmed the efficiency and effectiveness of electronic procurement and automated financial reporting. The results further suggested that almost 58.9% of the variation in financial performance of Kwale County Government was influenced by the county's utilization of electronic budgeting, automated cash management, electronic procurement and automated financial reporting. The results revealed that electronic budgeting, automated cash management, electronic procurement and automated financial reporting had a positive and significant influence on financial performance of the county. The study concluded that improvements in the utilization of the four IFMIS modules would lead to improved financial performance at the county. The study recommended proper implementation and monitoring of the IFMIS system in order to avoid financial management challenges experienced by county governments. Further studies should focus on other factors influencing financial performance of county governments.

Key Words: *e-budgeting, e-procurement, automated cash management, automated financial reporting, Financial Performance*

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INTRODUCTION

Governments across the world are constantly searching for ways to improve their public financial management systems. Over the past two decades, Public Financial Management (PFM) reforms have been implemented around the globe, but many simply have not met expectations. Yet the urgency for governments to embrace reform has increased, particularly after 2008, as countries came under greater pressure to pursue austerity measures while simultaneously delivering government services (Cangiano, Curristine & Lazare, 2013). Public Financial Management (PFM) basically deals with all aspects of resource mobilization and expenditure management in government. Just as managing finances is a critical function of management in any organization, similarly public finance management is an essential part of the governance process (Ernst and Young Global Limited, 2015).

In USA, IFMIS was implemented so as to provide transparency and accountability of all financial transactions (Gathogo, Kahari & Wanyoike, 2015). The system was incorporated through the Department of Homeland Security (DHS) based on accounting and financial management system. The new system required adequate planning due to its complexity so as to guarantee efficient performance and achievement of its goals. In the early 1980s, Bouckaert, Scheers and Sterck (2005) assert that the Australian government made initiatives on the budget and management system more effective in the public sector. In the mid-1990s more focus was directed towards the integration and comprehensive reform strategy and the public sector started accrual basis reporting and budgeting system. The reforms were first implemented in 2000 giving more attention on management commitment and long-term planning, budgeting and control processes. In Japan the public finance management systems has made a lot of contributions to economy through implementation of various reforms in 2001 aimed at upgrading the system and meet the global economic requirements (Nishigaki, 2006).

In South Africa, the process of IFMIS implementation was undertaken by the National Treasury so as to automate the government procedures for effective overall management and financial performance of the public sector (Hendricks, 2012). The implementation was carried out in three phases of master system planning, capacity architecture and development and implementation. In Kosovo the implementation of IFMIS was successful and the donors like CIDA, SIDA and USAID played a very big role. The implementation team installed and configured some basic system architecture that would work for the organizational structure as per system requirements valuation. The process of rolling out the program included system demonstration for functionality to future users of the system, the senior managers and other staffs' trainings. The system was rolled out to other governmental areas but it later started to face political challenges especially for the municipalities (Hodess, 2009).

The government of Kenya introduced IFMIS as a solution to the persistent poor performance in financial management due to lack of reliable and timely information for decision making (Njonde & Kimanzi, 2014). The problem was a consequence of the old government accounting system which lacked timeliness, accuracy and most importantly transparency. The IFMIS implementation requirement in Kenya originated from the Ministry of Finance and Economic Planning ICT Master Plan 2001- 2005 that highlighted gaps and weaknesses within the Soft Issues Bid Evaluation Tool (SIBET) system that was in use (Kwena, 2013). The main objective of this project was to computerize the whole accounting and auditing system in the country. The idea behind computerizing the whole system was generation of accurate and reliable financial statements; to monitor fiscal deficit; to forecast flow of cash; to manage public debt and to achieve effective financial controls (Ministry of Finance, 2013).

The implementation of automated public financial management information in national and county

governments was aimed at improving the financial management in the public sector, through enhanced transparency, accountability and cost saving (Karanja & Ng'ang'a, 2011). The process was initially faced by various challenges ranging from resource allocation to overall management of the system. Karanja and Ng'ang'a (2011) suggest that for an effective and efficient implementation of the system, the government needs to improve the infrastructures supporting it including resource capacitating.

Hendriks (2012) explains that an IFMIS is an information system that tracks financial events and summarizes financial information. It supports adequate management reporting, policy decisions, fiduciary responsibilities and the preparation of auditable financial statements. Ernst and Young Global Limited (2015) describes IFMIS as an Information Technology (IT) based budgeting and accounting system designed to assist the government entities on how to plan budget requests, spend their budgets, manage and report on their financial activities, and deliver services to the public more efficiently, effectively and economically. It is a standardized monitoring and reporting system, which consolidates all the information needs of a government into one information database. It facilitates consistent recording and reporting of information, to enable a government to take macro decisions that affect a country as a whole (Ernst and Young Global Limited, 2015).

In broader sense, financial performance refers to the degree to which financial objectives are being or have been accomplished (Chung & Fung, 2013). It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Chung & Fung, 2013).

Statement of the Problem

Ensuring that public money is well managed has been a central concern of citizens and the state since ancient times, motivating an accumulation of technology and knowledge of how to arrive at well-functioning systems (World Bank, 2011). Diamond and Khemani (2005) noted that in most developing countries, governments have found it difficult to provide an accurate, complete, and transparent account of their financial position and this lack of information has hindered transparency and the enforcement of accountability in government. Over the last decade, the government of Kenya has undertaken a number of PFM reforms in response to increasing demands for greater transparency and accountability in the management of the public's finances. One of the major reforms embarked on is the automation of Public Financial Management processes through the establishment of IFMIS.

Surveys of IFMIS experiences in various developing countries such as Ghana, Malawi, Tanzania and Uganda have yielded mixed results (Allen, 2009). Beschel and Ahern (2012) reports that while there are some small successes to-date, sophisticated IFMIS projects have been problematic. Reviewing the experiences regarding the application of IFMIS to developing countries, Wescott, Bowornwathana and Jones (2009) noted that IFMIS can facilitate recurrent/capital budget integration and improve accounting and reporting systems, but only if the country's budget and accounts classification is reformed and the system is appropriately phased and adapted to a country's capacity to maintain it.

In Kenya, IFMIS was first launched in 2003 introducing only limited modules, including general ledger, purchasing order and the account payable, with other financial management processes remaining manual (Ministry of Finance, 2013). However, the implementation of the system proved to be a very demanding undertaking and did not have resounding success (Karanja & Nganga, 2014). IFMIS Re-engineering, formulated in 2011, was therefore deemed necessary to introduce a full cycle end-to-end integrated approach for efficient and

effective public financial management and service delivery to citizens (Ministry of Finance, 2013). The continued efforts of proper management of public funds led to the introduction of an IFMIS system in 2012 to all the county governments in the country.

In spite of the challenges faced in the implementation of IFMIS, there is a general agreement that a fully functioning IFMIS can improve governance by providing real time financial information that finance managers and other managers can use to administer programs effectively, formulate budgets, and manage resources (Karanja, 2014; Ng'ang'a, 2014). It is on this background that the study aimed at assessing the effects of IFMIS on financial performance in the County Government of Kwale.

Research Objectives

The general objective of the study was to establish the effect of Integrated Financial Management Information System (IFMIS) on Financial Performance of County Government of Kwale. The specific objectives were:-

- To determine the effect of electronic budgeting on financial performance of County Government of Kwale.
- To determine the effect of automated cash management on financial performance of County Government of Kwale.
- To determine the effect of electronic procurement on financial performance of County Government of Kwale.
- To determine the effect of automated financial reporting on financial performance of County Government of Kwale.

LITERATURE REVIEW

Theoretical Review

Resource Based Theory

Resource Based Theory was developed Barney (1991). The theory prescribes that organizations position themselves strategically based on their resources and capabilities rather than their products and services. Barney (1991) noted that resources which are rare, valuable, inimitable, and non-substitutable can provide sources of sustainable competitive advantages. The theory exemplifies the idea that an organization's internal resources can become a direct source of sustained competitive advantage for the organization. Therefore, managers should look inside the organization to find the sources of competitive advantage through the use of internal resources.

Diffusion of Innovation (DOI) Theory

The theory was presented for adoption by Rodgers who published it in 1962. It is divided into two stages, initiations and implementation. The theory focuses on the aspects of how, why and the rate at-which the IT ideas in any organization are adopted into its operations (Rogers, 2003). Implementation entails adoption, diffusion and recognition of the problem which led to search for technology to solve it. Rogers identified three adoption stages which include initiation, adoption and implementation. Further Rodgers argued that innovations and products with greater compatibility and simplicity have high chance of adoption, easy implementation and usage.

The Instrumental Theory

The theory was developed by Bailey (1968) and focused on how well the public sector can use other budgeting systems in resource allocation to the overall budget execution. The theory articulates that the allocation of resources can improve managerial capacity toward budgetary processes in the public sector. Pettijohn and Grizzle (1997) argued that an alternative overall budgeting systems controlled by the public sectors are not biased by the policy process. The new approach of the budget theory lays a foundation on how allocations are made in the public sector. The theory enables researchers to study the managerial capacity building on the new budgetary system which also includes theories of motivation, the relationships to the overall system and other administration issues.

Unified Theory of Acceptance and Use of Technology (UTAUT)

Due to increased use of information technology in various organizations, there is need for ICT to be accepted in operating a firm so as to improve productivity of the employees in all sectors (Westland & Clark, 2000). UTAUT was developed by Davis, Fred, Gordon, B., Michael, G., Morris, Venkatesh and Viswanath (2003) to merge other competing information technology acceptance models. The theory addresses four major sub-theories; performance expectancy which states that an individual believes new innovation can improve one's overall performance, effort expectancy theory, which measures extent at-which an individual believes that the innovation can be used easily. Third theory is social influence, where one makes assumption that those around should be in the frontline during implementation of information system innovations.

Conceptual Framework

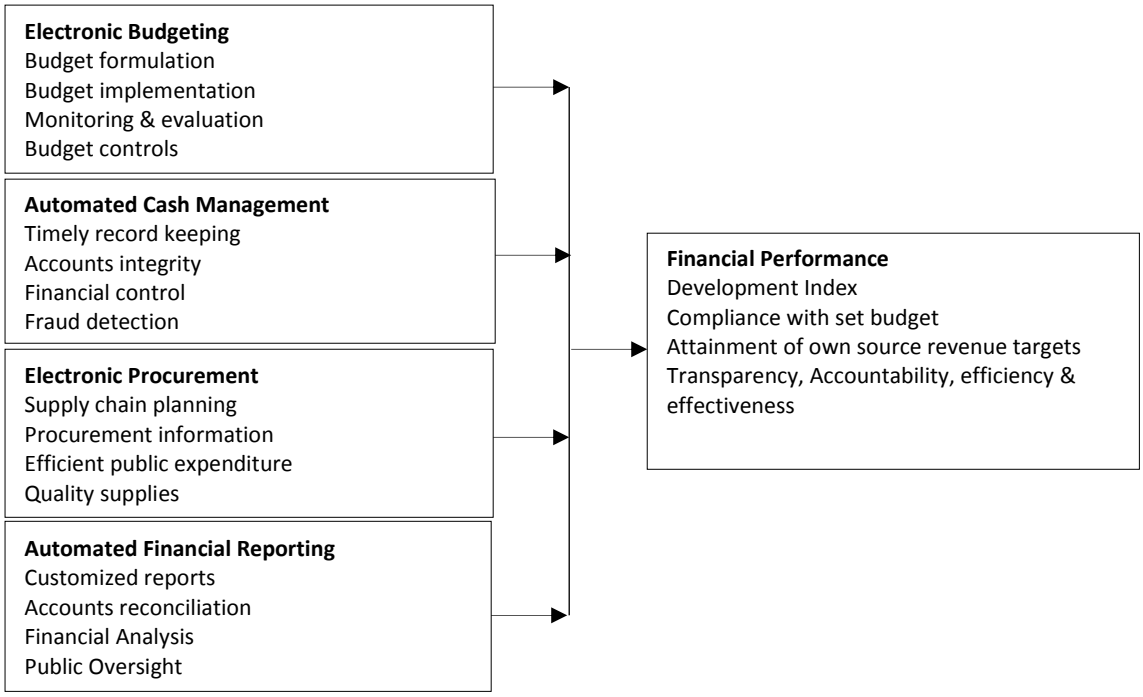

Figure 1: Conceptual Framework

Source: Author (2019)

Empirical Review

Mullen and Horward (2004) observed that the rapid diffusion of e-commerce in particular has placed existing norms and moral behaviour under pressure and may affect the successful implementation of successive governments' visions of e-Government. They noted that the 2003 review of 34 IFMIS projects supported by the World Bank over 15 years estimated that only 6 percent of the systems were likely to be sustained after donor support ceased.

Hendricks (2012) submits that a well-designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft. These include, for example, automated identification of exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross-referencing of asset inventories with equipment purchase to detect theft, automated cash disbursement rules and identification of ghost workers. For example, the aim of IFMIS Procure to Pay (P2P) system is to develop an efficient and streamlined procurement and payment system by fully automating the procurement and payment

process to increase control and visibility over the entire life-cycle of a procurement transaction, from procurement planning to payment (Ministry of Finance, 2013).

McKinney (2004) pointed that the benefits of FMIS could be argued to be profound. First, the improved recording and process of government financial transactions also allows prompt and efficient access to reliable financial data. Second, FMIS strengthens financial controls, facilitating a full and updated picture of commitments and expenditure on a continuous basis. Once a commitment is made, the system should be able to trace all the stages of the transaction processing from budget releases, commitment, purchase, payment request, reconciliation of bank statements and accounting of expenditure.

Diamond and Khemani (2005) reported that in Tanzania, the benefits of the IFMS have been extensive, with the restoration of expenditure control and improved levels of transparency and accountability. The Commitment Control System has led to the elimination of overspending, and a substantial reduction in domestic arrears. A number of government bank accounts have been reduced to treasury single accounts maintained at the central bank, and the lag in reconciliation with banking data has been reduced from up to two years to automatic reconciliation on a daily basis. Comprehensive and fully reconciled fiscal data and reports are available on a continuous basis.

Some empirical studies have however established to the contrary. The study by Dener and Young (2013) attempted to explore the effects of FMIS on publishing open budget data and identify potential improvements in budget transparency, and provide some guidance on the effective use of FMIS platforms to publish open budget data. The study identified 20 key and 20 informative indicators drawn from the public finance websites of 198 economies to assess the status of government websites for publishing open budget data from FMIS. The study established that despite the widespread availability of 176 FMIS platforms used by 198 governments around the world, good practices in presenting open budget data from reliable FMIS solutions are highly visible in only 24 countries (12%).

A research undertaken by the World Bank (2011) in 51 countries found that the design and implementation of effective FMIS solutions is challenging and requires the development of country specific solutions to meet a number of functional and technical requirements associated with the public financial management agenda. Reviewing the experiences regarding the application of IFMIS for financial performance to developing countries, Wescott, Bowornwathana and Jones (2009) noted that IFMIS can facilitate recurrent/capital budget integration and improve accounting and reporting systems, but only if the country's budget and accounts classification is reformed and the system is appropriately phased and adapted to a country's capacity to maintain it.

A study by Wamuyu (2013) revealed major improvement in financial management and service delivery in Kenyan government ministries. This shows that the nation has attained some improvements in relation to financial performance in the public sector due to IFMIS adoption. Conrad (2013), however, found out that exchequer budget release of funds not coinciding with the manual funds release process was a challenge. This implies that there may still be potential gaps in the achievement of financial performance through the use of IFMIS.

Thurakam (2007) states that to increase financial performance, financial statements should be certified by an independent and qualified person known as an auditor. A statement which is authenticated by an auditor will be acceptable by all without giving room for doubt and unreliability. In keeping with this requirement, Hendricks (2012) holds the view that an IFMIS can improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater

comprehensiveness and transparency of information.

Kimwele (2011) used data form 42 ministries to investigate how staff resistance, management commitment, system complexity and capacity and skills of the user affected effective implementation of IFMIS in Kenyan government ministries. The study established that effective use of the system is largely affected by sabotage and resistance. The study also established that management support is lacking and top management does not inspire the users. The finding by Kimwele therefore questions the effectiveness of IFMIS in the achievement of financial performance in Kenya.

METHODOLOGY

The study adopted a descriptive research design. The target population of the study in this research were 222 employees from the department of finance and economic planning at Kwale County Government. The study used a sample of 142 employees calculated based on Yamane (1967) formula at 95% confidence level (0.05 level of significance). Data were collected through the use of questionnaire by drop and pick strategy to ensure high response rate. Secondary data was collected using document review method from the various financial records and budget documents. Document review involves systematic data collection from existing records (Mugenda, 2008). Data was cleaned, coded and entered on MS- Excel spread sheet then exported to IBM SPSS Statistics for Windows, Version 21.0 (IBM Corp, 2012), where the data was analysed. The regression model used was shown by the equation below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = financial performance; β_0 = constant; β_i = regression coefficients; X_1 = electronic budgeting; X_2 = automated cash management; X_3 = electronic procurement; X_4 = automated financial reporting; ε = error term.

FINDINGS

Respondents were asked to give their opinion on a series of statements. The statements were in five-point Likert scale whereby when combined would measure the respondents' opinion on the contribution of electronic budgeting towards the budgeting process at the county. The researcher calculated the mean and standard deviation of the Likert scale items and calculated their average to get the combined score as shown in the tables below. The range of each point in the scale was obtained by dividing the difference between the highest point and the lowest point with the number of points in the scale ([5-1]/5 = 0.8). Therefore, mean scores of 1 to 1.8 represented a response of "Strongly Disagree", 1.81 to 2.6 represented "Disagree", 2.61 to 3.4 represented "Neutral", 3.41 to 4.2 represented "Agree" and the mean scores of above 4.21 to 5 represented a response of "Strongly Agree".

Electronic Budgeting

Table 1: Electronic Budgeting at Kwale County Government

Statements	Mean	Std. Dev.
Electronic budgeting has improved on the budget formulation processes in the County.	3.631	.819
Electronic budgeting has enhanced transparency on decision making process in budgeting processes.	3.027	1.264
The County has provided adequate resources for implementation of IFMIS in budgeting.	3.773	.735
The system has enabled the management to make appropriate decision on the priority activities during the budget implementation	3.283	1.079
The County has been able to allocate adequate resources to the planned projects reducing amount of pending bills on public expenditure.	3.175	1.267
The system has enabled timely implementation of county government projects hence reduced the amount of un-utilized funds at the year end.	3.356	1.048

Linking of the electronic budgeting with other units' modules has improved monitoring and evaluation on budget spending.	3.442	.981
IFMIS has reduced unit's itemized budget misallocations hence improved quality of financial performance in the County.	3.181	1.105
The County has linked electronic budgeting to modules used in other units for effective budget controls.	3.717	.756
Average	**3.398**	**1.006**

The average combined score ($\overline{X} = 3.398$; $SD = 1.006$) shown in Table 1 suggested that the respondents were indifferent towards statements on the contribution of electronic budgeting towards the budgeting process at Kwale County Government. A coefficient of variation of 0.30 (i.e. 1.006/3.398) indicated low variability in the responses meaning that the respondents' opinion with regard to electronic budgeting at the county were consistent.

Automated Cash Management

Table 2: Automated Cash Management at Kwale County Government

Statements	Mean	Std. Dev.
Automated Cash Management has improved cash management system and financial reporting in the County.	3.752	.793
Automated Cash Management has enhanced timely record keeping of accounting transactions	3.672	.851
The system has improved the integrity of accounts in terms of accountability, transparency, confidentiality and accuracy of accounts transactions in the County.	3.217	1.006
The County has linked Automated Cash Management to IFMIS modules used in other units for effective financial control.	3.793	.859
Linking of the Automated Cash Management module with other units' modules has improve on the Public Expenditure Management.	3.518	1.052
IFMIS has reduced unit's itemized budget misallocations hence improved quality of financial performance in the County hence less audit queries.	3.207	1.241
IFMIS has reduced fraudulent transactions in accounts sector and has improved quality of the accounting system in the County.	2.734	1.317
Use of IFMIS in Automated Cash Management process has improved the payment processes and has reduced misuse of public funds.	3.017	1.268
The system has enabled the management to detect suspicious transactions and take action in time before it escalates to higher level.	3.534	.943
Average	3.383	1.037

The average combined score ($\overline{X} = 3.383$; $SD = 1.037$) shown in Table 2 suggested that the respondents were indifferent towards statements on the contribution of automated cash management towards financial management at Kwale County Government. A coefficient of variation of 0.31 (i.e. 1.037/3.383) indicated low variability in the responses meaning that the respondents' opinion with regard to automated cash management at the county were consistent.

Electronic Procurement

Table 3: Electronic Procurement at Kwale County Government

Statements	**Mean**	**Std. Dev.**

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The County has provided adequate resources for implementation of IFMIS in procurement.	3.859	.927
IFMIS procurement module has improved the supply chain planning in the County.	4.026	.793
The County has linked E- procurement to modules used in other units.	3.791	.862
E-procurement has enhanced access to quality information in the procurement process.	3.943	.873
IFMIS has reduced expenditure on unplanned procurement and has improved quality of procurements done.	4.083	.761
Automation of procurement processes has reduced the entire procurement of goods hence efficient public expenditure.	3.827	.925
Linking of the E- procurement with other units' modules can reduce misuse of public fund.	3.861	.883
The county's customers appreciate and believe that use of IFMIS in the public procurement processes lead to improved service delivery and value addition to the county government.	3.729	.994
The system has enabled the county government to control the quality of supplies made hence value for money.	3.961	.714
Average	**3.898**	**.859**

The average combined score ($\overline{X} = 3.898$; $SD = 0.859$) shown in Table 3 suggested that the respondents expressed agreement with regard to statements on the contribution of electronic procurement towards the procurement process at Kwale County Government. A coefficient of variation of 0.22 (i.e. 0.859/3.898) indicate low variability in the responses meaning that the respondents' opinion with regard to electronic procurement at the county were consistent.

Automated Financial Reporting

Table 4: Automated Financial Reporting at Kwale County Government

Statements	Mean	Std. Dev.
IFMIS financial reports enables various stakeholders to understand the true cost of services delivered by the county per activity thus enhancing oversight	4.075	.738
Various stakeholders can easily extract customized reports from IFMIS in ways that facilitate quality decision making	3.984	.816
County staff can easily access IFMIS to derive the specific information they require to carry out their work	4.103	.773
There are built-in analytical tools within IFMIS that enables trend analysis of various elements of fiscal operations at the county	3.971	.892
Through IFMIS, the treasury staff are able to reconcile transactions data in real-time	4.002	.768
The IFMIS system enables generation of custom reports for internal and external use	3.962	.847
Average	**4.016**	**.806**

The average combined score ($\overline{X} = 4.016$; $SD = 0.806$) shown in Table 4 suggest that the respondents expressed agreement with regard to statements on the contribution of automated financial reporting towards the financial reporting process at Kwale County Government. A coefficient

of variation of 0.20 (i.e. 0.806/4.016) indicate low variability in the responses meaning that the respondents' opinion with regard to automated financial reporting at the county were consistent.

Financial Performance

Table 5: Finacial Performance at Kwale County Government

Financial Performance	Mean	Std. Dev.
IFMIS has enhanced financial performance in the County through efficient allocation of funds for development expenditure	3.974	.813
Due laws, regulations and processes are followed in the county to the letter regarding financial matters in the county.	4.028	.796
Financial transactions and processes are conducted transparently at the county.	3.753	.938
Since the introduction of IFMIS, there is greater accountability among staff in the county	3.691	.981
IFMIS accurately discloses the financial position of the county	3.857	.874
IFMIS has improved the absorption rate in the county by ensuring compliance with the budget thus enhancing financial performance	3.528	.809
IFMIS has enhanced the attainment of own source revenue targets in the county	3.737	.817
IFMIS modules have promoted transparency, accountability and efficiency of county government collections hence improved revenue collection.	3.582	1.103
The system has assisted in allocating the adequate resources on the county government projects without biased opinions.	3.487	1.298
IFMIS modules have improved on the financial management of allocations and public expenditure management in the County.	3.739	.873
Linked IFMIS modules have reduced misappropriation of public funds in the County through un-approved expenditures.	3.472	1.205
The system has enabled timely expenditure on County's core activities hence reduction of occurrence of pending bills at the end of the financial year.	3.861	.894
The system has reduced the number of audit queries on un-planned expenditure by various units in the County.	3.962	.947
Generally, there is improved efficiency and effectiveness at the county since IFMIS was introduced	3.744	.792
Average	**3.744**	**.939**

The average combined score ($\overline{X} = 3.744$; $SD = 0.939$) shown in Table 5 suggest that the respondents were in agreement that level of financial performance of the county had improved as a result of IFMIS utilization. A coefficient of variation of 0.20 (i.e. 0.806/4.016) indicated low variability in the responses meaning that the respondents' opinion with regard to the impact of IFMIS at the county were consistent.

The study also analyzed secondary data to examine the utilization of budget between development and recurrent expenditure, the absorption rate of the budget and the attainment of targets in own source revenue collection. The results are shown in Table 6.

Table 6: Trend of Finacial Performance for the period 2014/2015 to 2017/2018

Indicator	2014/15	2015/16	2016/17	2017/18
Development Index	0.79	0.84	1.25	1.67
Compliance with Set Budget	96%	98%	100%	115%
Percentage of Attained Revenue Targets	82%	85%	85%	89%

Source: Department of Finance and Economic Planning, County Government of Kwale

Based on development index, Table 6 showed that in 2014/2015 and 2015/2016, development budget was 16% and 21% less respectively, than recurrent expenditure. However, in 2016/2017 and 2017/2018, expenditure on development was 25% and 67% more, respectively, than recurrent expenditure. The results also show that the county's absorption rate was below the budget by 2% and 4% respectively in year 2014/2015 and 2015/2016, while in 2017/2018 the county spent 15% more than what was budgeted for. It is only in the year 2016/2017 that the county utilized its budget as required. In addition, the results indicated that the county did not meet its revenue targets for the periods under consideration. The county failed to meet its targets by between 17.7% and 11.2% between 2014/2015 and 2017/2018.

Effect of Financial Management Practices on Financial Performance

The study conducted Spearman's correlation test at a significance level of *alpha=0.05* in order to establish the significance and nature of association between the variables of the study.

Table 7: Correlation Matrix

	Financial Performance	E-Budgeting	Automated Cash Management	E-Procurement	Automated Financial Reporting
Financial Performance	1				
	137				
E-Budgeting	0.261**	1			
	0.002				
	137	137			
Automated Cash Management	0.244**	0.064	1		
	0.004	0.457			
	137	137	137		
E-Procurement	0.403**	0.103	0.025	1	
	.000	0.231	0.772		
	137	137	137	137	
Automated Financial Reporting	0.316**	0.092	0.131	0.058	1
	.000	0.285	0.127	0.501	
	137	137	137	137	137

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

The results in Table 7 indicated that electronic budgeting (r = 0.261, p = 0.002), automated cash management (r = 0.244, p = 0.004), electronic procurement (r = 0.403, p = 0.000) and automated financial reporting (r = 0.316, p = 0.000) had positive and significant relationship with financial performance of Kwale County Government.

The study also conducted a multiple regression analysis to ascertain the degree of influence of financial electronic budgeting, automated cash management, electronic procurement and automated financial reporting on financial performance of the county as shown in Table 8.

Table 8: Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768[a]	.589	.577	.22388

a. Predictors: (Constant), Electronic Budgeting, Automated Cash Management, Electronic Procurement, Automated Financial Reporting

b. Dependent Variable: Financial Performance

Table 9: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.484	4	2.371	47.304	.000[b]
	Residual	6.616	132	0.050		
	Total	16.100	136			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Electronic Budgeting, Automated Cash Management, Electronic Procurement, Automated Financial Reporting

Table 10: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.025	.158		-6.478	.000
	E-Budgeting	.244	.019	0.227	12.807	.000
	Automated Cash Management	.221	.018	0.200	11.973	.000
	E-Procurement	.440	.022	0.481	19.775	.000
	Automated Financial Reporting	.368	.024	0.429	15.506	.000

a. Dependent Variable: Financial Performance

The results in Table 10 indicated that electronic budgeting (β = 0.244; p = 0.000) had a positive and significant influence on financial performance of Kwale County Government. The findings suggested that electronic budgeting has contributed to improved financial performance of Kwale County Government. The findings also indicated that automated cash management (β = 0.221; p = 0.000) had a positive and significant influence on financial performance of Kwale County Government. The results suggested that the implementation of automated cash management has led to the improvement in financial performance of the county. In addition, the results showed that electronic procurement (β = 0.440; p = 0.000) had a positive and significant influence on financial performance of Kwale County Government. This implied that electronic procurement has led to increase in the financial performance of the county government. Finally, the results showed that automated financial reporting (β = 0.368; p = 0.000) had a positive and significant influence on financial performance of Kwale County Government. The findings suggest that automated financial reporting has contributed to improved financial performance of the county. Therefore, the financial performance of Kwale County Government would be modeled as follows:

$$\text{Financial Performance} = -1.025 + 0.244X_1 + 0.221X_2 + 0.440X_3 + 0.368X_4 + 0.158$$

Where: X_1= Electronic budgeting; X_2= Automated cash management; X_3= Electronic procurement; and X_4= Automated financial reporting.

Based on the findings of the study hypotheses are tested as shown in Table 11.

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Table 11: Test of Hypotheses

Hypothesis Statement	Hypothesis Test	Regression Results	Decision
H_{01}: Electronic budgeting has no significant effect on financial performance of County Government of Kwale.	$H_{01}: \beta_1 = 0$ $H_{A1}: \beta_1 \neq 0$ $p < 0.05$	$\beta_1 = 0.593$ $p = 0.000$	$\beta_1 \neq 0$, therefore, reject H_{01} and accept H_{A1} that electronic budgeting significantly affects financial performance of County Government of Kwale.
H_{02}: Automated cash management does not significantly affect financial performance of County Government of Kwale.	$H_{01}: \beta_2 = 0$ $H_{A1}: \beta_2 \neq 0$ $p < 0.05$	$\beta_2 = 0.293$ $p = 0.021$	$\beta_2 \neq 0$, therefore, reject H_{02} and accept H_{A2} that automated cash management significantly affects financial performance of County Government of Kwale.
H_{03}: Electronic procurement does not significantly affect financial performance of County Government of Kwale.	$H_{01}: \beta_3 = 0$ $H_{A1}: \beta_3 \neq 0$ $p < 0.05$	$\beta_3 = 0.712$ $p = 0.000$	$\beta_3 \neq 0$, therefore, reject H_{03} and accept H_{A3} that electronic procurement significantly affects financial performance of County Government of Kwale.
H_{04}: Automated financial reporting does not significantly affect financial performance of County Government of Kwale.	$H_{01}: \beta_4 = 0$ $H_{A1}: \beta_4 \neq 0$ $p < 0.05$	$\beta_4 = 0.839$ $p = 0.000$	$\beta_4 \neq 0$, therefore, reject H_{04} and accept H_{A4} that automated financial reporting significantly affects financial performance of County Government of Kwale.

CONCLUSION

The study concluded that electronic budgeting has a positive and significant influence on financial performance of Kwale County Government. This suggested that enhancement of electronic budgeting module would lead to improvement in financial performance of the county. In spite of the positive impact of electronic budgeting, Kwale County Government seemed to experience challenges like lack of transparency in decision making during the budgeting process, inappropriate prioritization of activities, inadequate allocation of resources to planned projects, delays in project implementation and budget misappropriations.

The study also concluded that automated cash management has a positive and significant influence on financial performance of Kwale County Government. This implies that the more the county utilizes the automated cash management module the better the financial performance of the county. However, the module seems to be encountering challenges in addressing the problem of budget misallocations, fraudulent transactions, misuse of public funds and ineffectiveness in decision making by the management.

The study further concluded that electronic procurement has a positive and significant influence on financial performance of Kwale County Government. This denotes that effective utilization of the electronic procurement module would lead to improvement in the financial performance of the county. The module seems to have the highest influence on financial performance of the county especially by improving the supply chain planning, enhancing transparency in the procurement process, reducing expenditure on unplanned procurement and controlling the quality of supplies.

Finally, the study concluded that automated financial reporting has a positive and significant influence on financial performance of Kwale County Government. This implied that by using the automated financial reporting module the county would enhance its financial performance. The module is particularly important in providing information to various stakeholders within and outside the county. This enables the stakeholders make informed decisions and also able to oversight the county government.

RECOMMENDATIONS

The study recommended that the director of budget, director of accounting and IFMIS technician at the county should provide close supervision in the use of electronic budgeting module in order to enhance transparency in decision making during the budgeting process, appropriate prioritization of activities, adequate allocation of resources to planned projects, timely project implementation and accuracy of budget items.

The study also recommended that the director of accounting and the director of revenue should ensure proper monitoring of accounting transactions through the automated cash management module in order to address the problem of accounting errors, fraudulent transactions and misuse of public funds.

The study further recommended that national treasury, parliament and the county assembly should develop policies and legislations to strengthen IFMIS to avoid financial management challenges experienced by county governments.

Suggestions for Further Studies

The study suggested that future studies should pay attention to other factors influencing financial performance of county governments. The study should also be replicated in other counties in order to compare findings with an aim of developing national policies that will promote effective utilization of IFMIS in all the county governments. The study also suggested more research to be carried out in other sectors in the public service so as to examine the relationship between IFMIS and financial performance.

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