



THE EFFECTS OF PUBLIC PARTICIPATION ON BUDGET TRANSPARENCY IN KENYA

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Abstract:

The study was conducted on the effect of public participation on budget transparency in Kenya. Primary data was collected using a questionnaire from 60 staff in the Kenyan parliament. Correlation and regression analysis were used to analyze the association. The results relationship between S3D1 and S3D3 was positive although statistically insignificant ($\alpha_2 = 0.197; p = 0.289$). Similarly, the association between S3D1 and S3D5 was positive, but also statistically irrelevant ($\alpha_4 = 0.052; p = 0.104$). The variables S3D2 and S3D4 exhibited a notable positive correlation with S3D1 both prior to and subsequent to the exclusion of S3D3 and S3D5. The findings demonstrated a notable enhancement in the coefficient for S3D2 from ($\alpha_1 = 0.411; p = 0.14$) to ($\alpha_1 = 0.533; p = 0.000$). Similarly, there was a significant improvement in the coefficients for S3D4 which rose from ($\alpha_3 = 0.377; p = 0.000$) to ($\alpha_3 = 0.455; p = 0.000$). This suggests that public participation has a positive and significant effect on budget transparency on Kenya. The study concluded that public participation should be conducted strategically since it influences budget transparency in Kenya.

JEL: D72, H11, H83

Keywords: public participation, budget transparency

1. Introduction

Budgets serve as the primary mechanism via which governments distribute funds to their constituents and articulate their expenditure choices in pursuit of diverse policy goals on an annual basis (OECD, 2006; Martinez, 2015). The successful handling of public funds relies on the crucial components of budgetary openness and transparency. These features play a pivotal role in assessing fiscal risks, facilitating rational decision-making regarding

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finances, enhancing responsibility among legislators, and ultimately enhancing fiscal practices (Nikolov, Trenovski, & Dimovska, 2015).

According to the Organisation for Economic Co-operation and Development (OECD, 2001), budget transparency refers to the comprehensive revelation of all pertinent fiscal data in a prompt and organized manner. The practice of maintaining transparency in fiscal procedures has been shown to have several positive effects on government operations. Firstly, it can contribute to the promotion of economic growth and development. Secondly, it can aid in the efforts to combat poverty within a nation. Lastly, it can serve to bolster the overall legitimacy of the actions taken by a government (Martinez, 2015; Rios, Bastida, & Benito, 2014). In democratic structures of governance, parliaments play a crucial role in upholding accountability through their representational parliamentary and oversight duties. There is an increased recognition of the limitations of supervision and accountability procedures in executive systems, which has led to a growing demand for the strengthening of institutions that promote "horizontal accountability" (Mainwaring and Welna, 2003).

Undoubtedly, a primary objective of contemporary endeavors aimed at reforming the state is around the establishment of resilient institutional mechanisms that ensure effective checks and balances inside the government (Schedler, 1999). As a result, there is a current reassessment of the significance of legislative bodies and the involvement of supplementary institutions, including general auditing headquarters, ombudsman workplaces, and anticorruption administrations, in the process of public budgeting. The exercise of budgetary control by public participation and the examination of public finances by reputable general audit offices are essential methods for ensuring financial responsibility. Public participation plays a crucial role in ensuring budget transparency. According to the IBP poll, the mean level of public engagement in the preparation of budgets in Kenya was recorded as 15 out of 100 in the year 2017. In the year 2017, the budget control rating of Kenya, specifically in relation to its Parliament and Audit, was recorded as 50 out of 100. According to the International Budget Partnership's report in 2018, the survey findings indicate that Uganda surpasses Kenya in terms of transparency, budget control, and public participation across the East African Community.

Therefore, this study seeks to evaluate the effect of public participation on budget transparency in Kenya.

1.1 Objective of the Study

To evaluate the effects of public participation on budget transparency in Kenya.

2. Literature Review

2.1 Theoretical Literature Review

2.1.1 Principal-agent Theory

The formulation of the aforementioned theory occurred simultaneously, albeit separately, by Stephen Ross and Barry Mitnick throughout the 1970s. Ross is credited with formulating the foundational principles of the economic theory of agency,

specifically in relation to contractual compensation issues. In contrast, Mitnick formulated the institutional theory of agency, which posits that institutions emerge as a result of agency. Within the realm of financial agency, the key issue revolves around the selection of an incentive plan that effectively aligns the actions of an agent with the desires of the principal. This theory is deemed suitable as it promotes the idea that politicians, acting as representatives of the public, should prioritize the welfare of the people. Additionally, it emphasizes the importance of enhancing financial openness to expose and elucidate the various methods by which fraud manifests within governmental structures.

2.2 Empirical Literature Review

Public involvement in budgeting encompasses the elements of information accessibility and stakeholder engagement within the budgetary procedure. The aforementioned stakeholders exhibit autonomy from both the presidential and legislative branches. Public involvement in the budgeting process refers to the active engagement of citizens, grassroots organizations, enterprises, and other non-governmental organizations in direct interactions with officials concerning matters about government taxes and revenue collection, the distribution of resources, and the handling of state assets as well as liabilities (Fölscher & Gay, 2012).

The correlation between public engagement and budgetary reporting frameworks is a fundamental element of public fiscal oversight, carrying significant consequences for accountability, transparency, and governance. The extent of individuals' engagement and impact in the formulation and production of the spending plan is delineated by their involvement in the budget preparation process. Through active engagement in the budgetary process, individuals are allowed to acquire knowledge regarding the formation of budgets (Hansen & Mowen, 2000). Dahana and Ermwati (2020) underscored the significance of socialization in the context of personnel, as it serves to mitigate discrepancies between budget preparation and execution. This illuminates the pivotal role played by human factors in the implementation of budgetary procedures.

In their study, Oh *et al.* (2019) analyzed the correlation between different involvement mechanisms within the budgeting cycle and various economic outcomes. The findings underscore the significance of participative governments in attaining effectiveness, efficacy, and fairness in budgetary procedures. Additionally, the authors Nasution and Lutfi (2022) underscored the importance of public engagement in promoting budget transparency, namely during the budget formation phase. They highlighted the necessity for heightened collaboration with citizens as a means to improve public services. The aforementioned findings highlight the correlation between public input and budget openness, emphasizing the significance of public engagement in influencing budgetary procedures and results. Numerous scholarly investigations have undertaken a comprehensive analysis of the effects of budgetary transparency, accountability, and public engagement on budgeting procedures and the handling of public finances.

In an inquiry carried out by Hu *et al.* (2020), it was determined that the standard of budget data, the manner of acquiring spending information, and the level of public participation serve as reliable measurements of the perceived level of budget openness. Furthermore, these metrics were found to have a positive correlation with public approval. This highlights the possible positive influence of public input on the perception of fiscal openness and general satisfaction with government.

Moreover, Aremu (2022) emphasized the initiatives aimed at promoting increased transparency in budgetary matters, fostering citizen engagement in the distribution of resources, and facilitating public scrutiny of governmental expenditures. These endeavors signify the escalating acknowledgement of the significance of public involvement in bolstering budgetary openness and responsibility within Nigeria. Furthermore, the significance of open budgeting and public engagement in enhancing the accountability of public funds has been underscored by Shkolnyk *et al.* (2020) in their study conducted in South Africa, New Zealand, Texas, and municipal financial systems in Ukraine. The research's results revealed a noteworthy and affirmative correlation between public engagement and budget openness, both at the federal and municipal levels. In addition, there was a focus on providing detailed budget details in a style that could be easily accessed by all participants, rather than simply summarizing the easily obtainable statistics with no further analysis or background.

In their study, Kang and Min (2013) conducted an examination of the International Budget Partnership's (2012) findings. The research revealed that out of all 100 countries assessed, a mere 19 demonstrated public engagement in the budgeting procedure. Korea was identified as among the nations with a notably high public involvement score of 92. In light of the above, Kang and Min (2013) conducted a study examining the various public participation channels in the Republic of Korea and demonstrated the extent to which public opinions are incorporated into the nation's budget process and fiscal policies. The analysis conducted reveals that the shift to democracy in Korea had the effect of increasing the level of knowledge among citizens, as well as their inclination to seek openness and liberalization. Hence, in the absence of social agreement, political determination, and backing from budgetary authorities, the notion of public engagement remains illusory. Although public participation has achieved some level of success, it has faced criticism due to its perceived impracticality and inefficiency in accurately deciding financial allocations for projects.

Furthermore, Stanimirović (2022) emphasized the significance of budgetary transparency in the Republic of Slovenia, as it plays a crucial role in fostering accountability, enhancing the quality of government and democratic systems, and encouraging public engagement. The research methodology employed in this study consisted of a combination of desk study and the collection of 251 answered surveys from public sector employees who had been either actively or informally engaged in matters related to finance in the public sector. The study's results provided support for the hypothesis that political conflict serves as the primary barrier to achieving budget transparency, which aligns with the Open Budget Index's historical data indicating a lack of progress in this area. The authors also indicated that there was a positive correlation

between the intensity of respondents' demand for budget openness and their perception of political will as a significant obstacle. The studies described above collectively highlight the favorable correlation between public participation, budget openness, and governance results.

3. Research Methodology

This study was grounded in the principles of positivist philosophy. The research employed a quantitative methodology to examine the correlation between public participation and budgetary transparency in the context of Kenya. Primary data was collected using a questionnaire from 60 respondents that comprised 13 parliamentary budgeting office staff and 47 financial analysts. The participants' responses were evaluated using a Likert scale and relevant indices were computed. The study relied on regression analysis to establish the effect of public participation on budget participation.

4. Results and Discussions

The study conducted a regression analysis to evaluate the effect of public participation on budget transparency in Kenya. The results are presented in Table 1 below.

Table 1: Public Participation and Budget Reporting Constructs

	Unstandardized Coefficients (before)	Sig.		Unstandardized Coefficients(after)	Sig.
(Constant)	-0.152	0.276	(Constant)	0.011	0.912
S3D2	0.411	0.014	S3D2	0.533	0.000
S3D3	0.197	0.289			
S3D4	0.377	0.000	S3D4	0.455	0.000
S3D5	0.052	0.104			
R-square	0.948		R-square	0.948	
F-statistics	520.4	0.000	F-statistics	520.4	0.000
DW	2.125		DW	2.125	

According to the findings shown in Table 1, it was observed that the relationship between S3D1 and S3D3 was positive although statistically insignificant ($\alpha_2 = 0.197; p = 0.289$). Similarly, the association between S3D1 and S3D5 was positive, but also statistically irrelevant ($\alpha_4 = 0.052; p = 0.104$). The variables S3D2 and S3D4 exhibited a notable positive correlation with S3D1 both prior to and subsequent to the exclusion of S3D3 and S3D5. The findings demonstrated a notable enhancement in the coefficient for S3D2 from ($\alpha_1 = 0.411; p = 0.014$) to ($\alpha_1 = 0.533; p = 0.000$). Similarly, there was a significant improvement in the coefficients for S3D4 which rose from ($\alpha_3 = 0.377; p = 0.000$) to ($\alpha_3 = 0.455; p = 0.000$). This suggests that public participation has a positive and significant effect on budget transparency on Kenya.

5. Conclusions and Recommendations

This research has reached the conclusion that budget transparency in Kenya is mostly influenced by social and political variables, rather than economic reasons. This study has concluded public participation, highlighting the significance of certain factors in positively impacting budget implementation in Kenya. The study concluded that public participation should be conducted strategically since it influences budget transparency in Kenya.

The study recommended that to improve budget transparency the following aspects of budget participation should be enhanced, increasing public feedback on the preliminary budget, establishing time frames for the proposed spending plan, implementing rules governing the budget development process, scrutinizing the budget policy statement/county fiscal strategy paper, and promoting full participation of the public during the approval of the budget policy statement.

Conflict of Interest Statement

The author declares no conflicts of interest.

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Martin Muyundo Martin is the head of the PBO Department for either of the Houses of Parliament, he provides overall direction and administration of either PBO Senate Affairs or PBO National Assembly including the provision of team leadership, guidance, and technical expertise on fiscal management; liaising with other the relevant House Department and other Parliamentary departments, other Government departments and public sector players.

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