

The Influence of Budgetary Allocations On Effective Procurement Contract Administration In Public Secondary Schools In Mogotio Sub County, Kenya

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Received: February 24, 2018

Accepted: March 12, 2018

Abstract

The Kenya public institutions lose hundreds of millions of tax payer's money through cancelled contracts, unfinished projects, poor service or product delivery, corruptions and extended contract periods each year. The study aimed at achieving the following objectives: To examine whether budgetary allocations affect effective procurement contract administration in public secondary schools in Mogotio Sub County, Kenya. The study used the resource based view theory. The study adopted a descriptive research design using quantitative approaches. The target population of the study was all principals and their deputies of public secondary schools in Mogotio Sub County who total (52) individuals. Since the population was small a census design was used. Closed ended questionnaires constructed based on a five-point Likert scale were used as data collection instruments. The means of the six components of budget allocation metrics including budgeting assisting to save money due to knowledgeable on the funds availability for each period, the budgeting assisting in efficient allocation of funds in a specific period, budgeting improving the services, and the budgetary allocation leading to prioritization of activities to be undertaken, imposing a restraining influence during allocation of funds, and more time committed to budget preparation leads to better contract administration were calculated through use of SPSS software. The results revealed that all the mean scores for metrics for budgetary allocations fell between 3.5 and 4.49 therefore leading to a conclusion that on average the respondents agreed that budgetary allocations improved contract administration. The standard deviations of budgetary allocations fell between 0.5 and 1 indicating an average variation of responses relative to the mean hence moderate consensus amongst the respondents in respect to the influence of the budgetary allocation on contract administration aspects (least standard deviation being 0.66 and the highest being 0.98). From regression analysis, the study found that a unit increase in budgetary allocation would lead to a 0.591 improvement in procurement contract administration with the other independent variables kept constant. The recommendations of the study included the school management knowing the funds available for each period to enhance savings, and need to undertake budgetary allocation leading to prioritization of activities being undertaken.

Keywords: Budgetary Allocations, Procurement Contract Administration

I.INTRODUCTION

According to Alatrasta and Arrowsmith (2004), a contract is a written or oral legally-binding agreement between parties identified in the agreement to fulfill the terms and conditions outlined in the agreement. A prerequisite requirement for the enforcement of a contract, amongst other things, is the condition that the parties to the contract accept the terms of the claimed contract. Historically, this was most commonly achieved through signature or performance, but in many jurisdictions – especially with the advance of electronic commerce - the forms of acceptance have expanded to include various forms of electronic signature. Contracts can be of many types, e.g. sales contracts (including leases), purchasing contracts, partnership agreements, trade agreements, and intellectual property agreements.

Contract management may be defined as the process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular to provide value for money, (Nguyen, 2013). As a result developing and managing contracts is a

skill required by public sector entities in the management of the majority, if not all, programmes. However, contract management is not an end in itself and it is important that all contracting decisions and actions focus on the outcomes that entities are seeking to achieve. In the public sector there is huge variety of contracts, with different types of contracts needing different types of contract management. On the other hand agency contract management is the process of managing all stages in the lifecycle of enterprise-wide contracts with the goal of minimizing costs and risks, maximizing revenues, streamlining operations, and improving compliance with policies, procedures, regulations, and negotiated terms and conditions (Nguyen, 2013).

In a study in Kenya, Waigwa and Njeru (2016) found that procurement policy framework guidelines are important for the success of the contracts in public agencies, however it had lowest effect compare to the other two factors. The study also established that enhanced service markets using tools such as ICT enhance efficient contract management among the public agencies. The study further established that training and motivation correlated significantly with the success of contract management meaning that employees need to have the skills and knowledge needed to make the contract management effective. The study concluded that effective management of contracts of whatever size and for whatever purpose is an essential requirement all public sector agencies and for this to happen then the agencies must ensure an effective policy framework. A study by Kibogo and Mwangangi (2014) found that information technology, management styles and employee competence influenced contract management in public procurement.

Contract administration includes activities of a buyer during a contract period to ensure that all parties to the contract fulfill their contractual obligation (Bailey, 2008). Contract life cycle management is the process of systematically and efficiently managing the contract creation, execution and analysis of maximizing operational and financial performance and minimizing risks (Else, 2007). A sales contract is a contract between a company and a customer where the company agrees to sell products and/or services. The customer in return is obligated to pay for the product/services bought. A purchasing contract is a contract between a buying company and a supplier who is promises to sell products and/or services within agreed terms and conditions. The buying company in return is obligated to acknowledge the goods/or service and pay for liability created (Willmott, 2009).

II. RESEARCH OBJECTIVE

To examine whether budgetary allocations affect effective procurement contract administration in public secondary schools in Mogotio Sub County, Kenya

III. RESEARCH QUESTION

What is the influence of budgetary allocations on effective procurement contract administration in public secondary schools in Mogotio Sub County, Kenya?

IV. THEORETICAL REVIEW

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage through procurement planning and performance. It adopts two assumptions in analyzing sources of competitive advantage (Peteraf & Barney, 2007). First, this model assumes that firms within an industry may be unique with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may

persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms. Resource uniqueness is considered a necessary condition for a resource bundle to contribute to a competitive advantage. The argument goes "If all firms in a market have the same stock of resources, no strategy is available to one firm that would not also be available to all other firms in the market. Procurement Performance is attributed to resources having intrinsically different levels of efficiency in the sense that they enable the firms to deliver greater to their customers for a given cost.

This theory can be related to procurement contract management. This because in order to make procurement contract management effective, it is crucial to have budgetary allocations release at the right time and in right amount. Furthermore, an entity can use legal provisions on contracts to achieve its objectives on contract management. The legal provisions can be a source of competitiveness for a procurement entity. This theory links with budgetary allocations.

V.LITERATURE REVIEW

A Budgetary allocation is the amount of funding designated to each expenditure line. It designates the maximum amount of funding an organization is willing to spend on a given item or program, and it is a limit that is not to be exceeded by the employee authorized to charge expenses to a particular budget line. A study on the effect of budgets on financial performance of manufacturing companies in Nairobi County was done by Onduso (2013). The aim of the study was to determine the effects of budgets on financial performance of manufacturing companies in Nairobi County. The study used cross-sectional research method targeting 18 manufacturing firms listed in the Nairobi Securities Exchange by employing a census survey to cover all manufacturing firms within Nairobi County. The researcher used both primary and secondary data. A statistical package for social sciences was used as an analysing tool and also regression model was used to determine the association between dependent and independent variables.

The study findings revealed that there was a strong positive effect of budgets on financial performance on manufacturing companies as measured by return on assets. The study recommended that effective budget implementation be facilitated through capacity building, robust systems and processes prioritization, and close monitoring for evaluation. Stakeholders should get involved in budget execution to enhancing the overall budget implementation. Further, financial management systems be supported in order to ensure prudent management of funds and adequate sensitization of both the employees and the public on best financial management practices to enhance the oversight role. In addition, manufacturing companies need to establish a strong link between the planning process and the budget process, (Onduso, 2013).

Still based in Kenya, Kimani (2014) did a study titled 'The effect of budgetary control on effectiveness of Non-Governmental Organisations in Kenya.' The study examined the budgetary control in Non-Governmental Organizations and its effects on their performance. The research target population consisted of 7,127 Non-Governmental Organizations. Thirty Non-Governmental Organizations were selected using convenience judgmental sampling technique, both local and international organizations with headquarters in Nairobi. A descriptive survey was used in the data collection. The statistical package for social sciences version 17.0 was used to analyze the data using descriptive statistics, including means and

standard deviation. The relationship between budgetary controls and performance of the NGOs was analyzed using correlation and regression analysis.

The research findings established that there was a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%. The research recommended that employees needed to be sensitized on budgetary controls and the effect on performance of the organization. It also recommended that other factors that influence performance apart from budgetary controls be investigated by organizations. It also suggested that further research be done on the same area but a larger sample be used, (Kimani, 2014).

Focussing on commercial banks, Ifrah, Kerosi and Ondabu (2015) did an analysis of the effectiveness of budgetary control techniques on organizational performance at Dara-Salaam bank headquarters in Hargeisa Somaliland. The analysis examined how budgetary control could impact on the performance of Dara-salaam Bank. The objectives were to find out how responsibility accounting influences organizational performance, to determine whether variance cost analysis affects organizational performance and to establish how zero based budgeting affects organizational performance. The study utilized descriptive and retrospective research designs. Primary data was collected by use of questioners, while secondary data was collected from published materials. The researcher carried out a census study of the 70 staff of Dara-salaam Bank in Hargeisa Somaliland. Data entered into excel was presented by the use of frequency tables. Data was analyzed by SPSS was presented in form of tables.

Findings on effectiveness of budgetary control techniques showed that responsibility accounting, variance analysis and zero based budgeting enhanced budget control and improved efficiency and productively. Further it was established that variance cost analysis alone may not affect performance of an organization but it could influence decision making which could in turn affect organizational performance. The study recommended that organizational staff be trained on the existing budgetary control techniques to enhance business decision making and improve efficiency and productivity. The study recommended further research on budget planning and organizational performance and also the relationship between budget implementation and organizational performance, (Ifrah et al., 2015).

In Kenya, Koech (2015) a study titled ‘The effect of budgetary controls on financial performance of manufacturing companies in Kenya.’ The main objective of the study was to assess the effects of budgetary control on the financial performance of selected manufacturing companies in Kenya. A descriptive research design was used in this study. Stratified sampling technique was used. The respondents were head of the finance department or an equivalent. The sample size was 50 respondents. Both primary and secondary data were used. Descriptive analysis was used to mainly summarize the data collected. The results showed that there was a significant relationship between financial performance in manufacturing companies and the three variables (planning, monitoring and control and participative budgeting).

VI. RESEARCH METHODOLOGY

Since the researcher’s interest is to find the relationship between independent variables and dependent variables without manipulating them, the study adopted a descriptive type of research design. Kothari (2004) opine that descriptive research seeks to establish the status of

affairs without manipulating study variables. The target population of the study was made up of the principals/principals of public secondary schools within Mogotio Sub County, county of Baringo. The Sub County has 26 public secondary schools. Picking the principal and their deputies from each secondary school, the target population came to 52. The target population of the study, therefore, was 52. This presented on Table 1.

Table 1: Target Population

Position	Target Population
Principal	26
Deputy Principal	26
Total	52

Source: Education Office, (2017)

Since the target population was fairly small, a census approach was used. The study used a questionnaire to collect primary data from the respondents. Kothari (2004) posit that primary data is the data collected a fresh and for the first time and thus happen to be original in character. Once the questionnaires have been administered, the mass of raw data collected must be systematically organized in a manner that facilitates analysis. If empirical or quantitative analysis is anticipated, the responses in the questionnaire should have been assigned numerical values (Mugenda & Mugenda, 2003). After data has been collected, the researcher conducted data cleaning, and then the data was coded and entered in the computer for analysis using the Statistical Package for Social Sciences (SPSS). Data was then analyzed using descriptive statistics such as frequency counts, percentages, means and standard deviation.

VII. RESEARCH FINDINGS AND DISCUSSIONS

Frequency Distributions for Budgetary Allocations

In a bid to examine whether budgetary allocations affect effective procurement contract administration in public secondary schools in Mogotio Sub County, Kenya, the study sought perceptions of respondents on various statements. These included it becomes much easier to save money when you know exactly how much you have available each period, assures efficient allocation of funds in a specific period since it is based on needs and benefits and so avoids unnecessary expenses, improves the services as well utilizes cost-effective methods, budgetary allocations leads to prioritization of activities to be undertaken, budgeting imposes a restraining influence during allocation of funds, more time committed to budget preparation leads to better contract administration. Table 2 shows the results of this examination.

Table 2: Frequency Distributions for Budgetary Allocations

Budgetary Allocations	SA	A	U	D	SD
It becomes much easier to save money when you know exactly how much you have available each period	28.9%	42.2%	28.9%	0.0%	0.0%
Assures efficient allocation of funds in a specific period since it is based on needs and benefits and so avoids unnecessary expenses	55.6%	35.6%	8.9%	0.0%	0.0%
Improves the services as well utilizes cost-effective methods	28.9%	53.3%	11.1%	6.7%	0.0%
Budgetary allocations leads to prioritization of activities to be undertaken	62.2%	24.4%	13.3%	0.0%	0.0%

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Budgeting imposes a restraining influence during allocation of funds	26.7%	40.0%	17.8%	15.6%	0.0%
More time committed to budget preparation leads to better contract administration	26.7%	46.7%	26.7%	0.0%	0.0%

Most of the respondents tended to agree that it becomes much easier to save money when you know exactly how much you have available each period (42.2%), budgeting imposes a restraining influence during allocation of funds (40.0%), and more time committed to budget preparation leads to better contract administration (46.7%) in their school. Additionally, some respondents were inclined to strongly agree that it becomes much easier to save money when you know exactly how much you have available each period (28.9%), budgeting imposes a restraining influence during allocation of funds (26.7%), and more time committed to budget preparation leads to better contract administration (26.7%) in their school.

On the other hand none of the respondents tended to disagree (0.0%) or strongly disagree (0.0%) that it becomes much easier to save money when you know exactly how much you have available each period and more time committed to budget preparation leads to better contract administration in their school. However, 15.6% of respondents were of the perception that budgeting does not impose a restraining influence during allocation of funds in their school.

Above half of the respondents (55.6%) were inclined to strongly agree that budget allocation assures efficient allocation of funds in a specific period since it is based on needs and benefits and so avoids unnecessary expenses. Similarly, 62.2% of the respondents were inclined to strongly agree that budgetary allocation leads to prioritization of activities to be undertaken in their school. Further, 35.6% and 24.4% of the respondents tended to agree that that budget allocation assures efficient allocation of funds in a specific period since it is based on needs and benefits and so avoids unnecessary expenses and allocation leads to prioritization of activities to be undertaken in their school respectively. There were few respondents who tended not to be sure whether budget allocation assures efficient allocation of funds in a specific period since it is based on needs and benefits and so avoids unnecessary expenses (8.9%) and allocation leads to prioritization of activities to be undertaken in their school (13.3%).

About half of the respondents (53.3%) tended to agree that budget allocation improves the services as well utilizes cost-effective methods. Additionally, 28.9% strongly perceived the same. On the other hand, 6.7% of the respondents felt that budget allocation does not improve the services as well as utilizes cost-effective method in their school. However, none of the respondents (0.0%) tended to strongly disagree with the statements used to examine budget allocation in regards to its effect on the effective procurement contract administration in public secondary schools in Mogotio Sub County, Kenya.

Means and Standard Deviations for Budgetary Allocations

The means and standard deviations of the budget allocation and its influence on contract administration was examined and the results presented in Table 3 below. The purpose of calculation of the mean was to find the average opinion of the respondents in respect to the stated budget allocation aspects in a likert scale. The standard deviation was calculated to determine the average variance of the responses from the mean and hence determine the

consensus levels amongst the respondents in respect to a given budget allocation metric in a likert scale.

Table 3: Means and Standard Deviations for Budgetary Allocations

	N	Min.	Max.	Mean	Std. Dev.
It becomes much easier to save money when you know exactly how much you have available each period.	45	3.00	5.00	4.00	0.77
Assures efficient allocation of funds in a specific period since it is based on needs and benefits and so avoids unnecessary expenses.	45	3.00	5.00	4.47	0.66
Improves the services as well utilizes cost-effective methods.	45	2.00	5.00	4.04	0.82
Budgetary allocations leads to prioritization of activities to be undertaken	45	3.00	5.00	4.49	0.73
Budgeting imposes a restraining influence during allocation of funds.	45	2.00	5.00	3.78	0.98
More time committed to budget preparation leads to better contract administration	45	3.00	5.00	4.00	0.74
Valid N (listwise)	45				

The means of the six components of budget allocation metrics were calculated through use of SPSS software and results presented in Table 3. The study results revealed that budgeting allocation assisting to save money due to knowledgeable on the funds availability for each period had a mean of 4.00. The budgeting assisting in efficient allocation of funds in a specific period had a mean of 4.47 while budgeting improving the services had a mean of 4.04. The budgeting assisting in efficient allocation of funds and in saving money is consistent to findings by Onduso (2013) study. The study found that the budgeting aspects helps in enhancing the financial prudence of the institution.

Finally, the budgetary allocation leading to prioritization of activities to be undertaken, imposing a restraining influence during allocation of funds, and more time committed to budget preparation leads to better contract administration had means of 4.49, 3.78, and 4.00 respectively. In a five point likert scale (1=Strongly Disagree and 5= Strongly Agree), Keller, (2014) argues that means that fall between 3.5 to 4.49 should be interpreted as the respondents on average tended to agree that the stated likert scale metric positively influenced the dependent variable. In this context, all the metrics for budgetary allocations fell between 3.5 and 4.49 therefore leading to a conclusion that on average the respondents agreed that budgetary allocations improved contract administration.

The standard deviations of budgetary allocations on were calculated using SPSS software and their results presented in Table 3. The study results revealed that budgeting allocation assisting to save money due to knowledgeable on the funds availability for each period had a standard deviation of 0.77. The budgeting assisting in efficient allocation of funds in a specific period had a mean of 0.66 while budgeting improving the services had a mean of 0.82. Finally, the budgetary allocation leading to prioritization of activities to be undertaken, imposing a restraining influence during allocation of funds, and more time committed to

budget preparation leads to better contract administration had a standard deviation of 0.73, 0.98, and 0.74 respectively.

In a five point likert scale (1=Strongly Disagree and 5= Strongly Agree), Keller, (2014) argues that standard deviations that fall between 0.5 and 1 indicate an average variation of responses relative to the mean hence leading to a conclusion of moderate consensus with the given metric. All the metrics for budget allocation fell between this range with the least standard deviation being 0.66 and the highest being 0.98. A conclusion was therefore reached that there was a moderate consensus amongst the respondents in respect to the influence of the budgetary allocation on contract administration aspects.

VIII.CONCLUSION OF THE STUDY

The means of the six components of budget allocation metrics including budgeting allocation assisting to save money due to knowledgeable on the funds availability for each period, the budgeting assisting in efficient allocation of funds in a specific period, budgeting improving the services, and the budgetary allocation leading to prioritization of activities to be undertaken, imposing a restraining influence during allocation of funds, and more time committed to budget preparation leads to better contract administration were calculated through use of SPSS software. The results revealed that all the mean scores for metrics for budgetary allocations fell between 3.5 and 4.49 therefore leading to a conclusion that on average the respondents agreed that budgetary allocations improved contract administration.

The standard deviations of budgetary allocations fell between 0.5 and 1 indicating an average variation of responses relative to the mean hence moderate consensus amongst the respondents in respect to the influence of the budgetary allocation on contract administration aspects (least standard deviation being 0.66 and the highest being 0.98). From regression analysis, the study found that a unit increase in budgetary allocation would lead to a 0.591 improvement in procurement contract administration with the other independent variables kept constant.

IX.RECOMMENDATIONS OF THE STUDY

The recommendations of the study included the school management knowing the funds available for each period to enhance savings, and need to undertake budgetary allocation leading to prioritization of activities being undertaken.

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How To Cite This Article;

Kipkemoi, E., & Gacuiiri, J. (2018). The Influence of Budgetary Allocation on Effective Procurement Contract Administration in Public Secondary Schools in Mogotio Sub County, Kenya. *International Journal of Business Management and Processes (IJBMP)*, 2(3), 15-23.