IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 18, Issue 11. Ver. V (November. 2016), PP 77-81
www.iosrjournals.org

Management Support for Financial Infrastructure and the Implementation of Ifmis in Kwale County Government

Bonaventure F.M. Mwakio and Moses W. Wekesa
Jomo Kenyatta University of Agriculture and Technology Correspondence to: Bonaventure F.M. Mwakio

Absract: *Several governments are adopting the Integrated Financial Management Information System (IFMIS) to improve their financial management capabilities based on the effeciencies brought about by automation through the system. The implementation of IFMIS across the world has, however, been met with mixed results. In Kenya, after over ten years of implementation, the system has still not been able to fully provide the expected benefits of integrated financial planning, implementation and control of public expenditure. Slow implementation of the process has been cited as one of the most significant challenges affecting its effectiveness. Arguably, the slow implementation of IFMIS implementation can be addressed at the county level if there was adequate management support. Therefore, the present study sought to examine how management support for financial infrastructure influences the implementation of IFMIS in Kenya, focusing on Kwale County. The study adopted the survey research design targeting the management and accounting staff of 14 administrative units, that is, the executive and county assembly based in Kwale County. A sample size of 84 respondents obtained through simple random sampling was used. Data was collected using questionnaires and analyzed using both descriptive and inferential statistical methods. The findings revealed that management support for financial infrastructure strongly influenced the implementation of IFMIS in the County government ($\beta = 0.449$, $p < 0.05$). Therefore, it is recommended that the County government work out modalities that will enable it to grant more budgetary autonomy to the finance and ICT departments in every financial year for the purposes of implementing IFMIS.*

I. Introduction

Several national and regional governments are adopting the Integrated Financial Management Information System (IFMIS) to improve their financial management capabilities based on the effeciencies brought about by automation through the system (Lianzuala & Khawlhring 2008). IFMIS is an automated system that is used for public financial management. It interlinks planning, budgeting, expenditure management and control, accounting, audit and reporting (Hendricks, 2012). In principle, it provides a good starting point for a sound management of public finances (Rakner, 2004). According to the USAID (2008), sound IFMIS systems coupled with the adoption of centralized treasury operations has been instrumental in helping developed and developing countries gain effective control over their finances, and enhance transparency and accountability, reduce political discretion and act as a deterrent to corruption and fraud. The implementation of IFMIS across the world has, however, been met with mixed results. For example, while the implementation of the system in countries like Kazakhstan, Iraq, Vietnam and Uganda has encountered a lot of challenges, the implementation of IFMIS in Malawi, Tanzania and Ethiopia was reportedly successful (Diamond & Khemani, 2006; Chêne, 2009). In Kenya, after over ten years of implementation, this system has still not been able to fully provide the expected benefits of integrated financial planning, implementation and control of public expenditure. Slow implementation of the process has been cited as one of the most significant challenges affecting its effectiveness (Bowen, 2015; Njonde & Kimanzi, 2014). Case studies of more successful countries such as Kosovo, the Slovak Republic, Tanzania and Ethiopia indicate that factors supporting successful implementation of IFMIS include a clear commitment of the relevant authorities to financial reform objectives, ICT-readiness, a sound project design, a phased approach to implementation, a project management capability, as well as adequate resources and human resource capacity allocated to the project (Bwoch & Muwanga, 2009; Kasumba, 2009; Combaz 2015). However, while the importance of management support for IFMIS implementation has been underscored in various studies, its relation to financial infrastructure necessary for the implementation of the system has not received considerable research attention.

Financial infrastructure (FI) generally defined comprises the underlying foundation for a country's financial system (World Bank & IFC, 2009). It includes all institutions, information, technologies, rules and standards that enable financial intermediation. In many developing countries poor financial infrastructure poses a considerable constraint upon financial institutions to expand their offering of financial services – credit, savings and payment services – to underserved segments of the population and the economy (World Bank, 2008). Strengthening financial infrastructure takes time, resources and political will, however, important differences persist across countries. Access to finance is the result of a complex interplay of different financial

intermediaries, the right kinds of financial infrastructure, and a sound legal and regulatory framework (Brown, Jappelli & Pagano, 2007). The quality of financial infrastructure determines the efficiency of intermediation, the ability of lenders to evaluate risk and of borrowers to obtain credit, insurance and other financial products at competitive terms. Moreover, low quality FI could potentially creates risks for the financial system as a whole, as poor payment and settlement systems may exacerbate financial crises, while the absence of credit bureaus in conjunction with strong credit growth may lead to one (Demirguç-Kunt & Ross, 2008).Support by the top management is an important element determining the financial system effectiveness. The manner in which senior management demonstrate their support likely provides an important signal of the role and value of systems throughout the organization. Management support is also considered as the main determinant of system effectiveness according to Cohen and Sayag (2010). Experience shows that the best designed project will fail without firm commitment. It is therefore important to adequately assess commitment to reform. According to a review by Combaz (2015), management commitment is important, because IFMIS constitute an organizational reform. Some IFMIS have overreached and tried to drive radical PFM changes or implement too much at once, resulting in failure. Mihret and Yismaw (2007) argued that there is a positive relationship between top management support and system effectiveness. Similarly, Alzeban and Gwilliam (2014) indicated that management support is positively and significantly associated with system effectiveness. Many programmes have lacked ownership and clear lines of authority. IFMIS may also create new opportunities for corruption, therefore, firm political commitment and its underlying incentives are required to uphold the integrity of the system.IT reforms are perceived as complex, risky, resource intensive and requiring major procedural changes, often involving high-level officials lacking incentives for reform. Decision makers must be sold the idea that benefits exceed risks, while the incentive structure that may undermine political will for reform has to be adequately assessed from the early stage of the project. Similarly, at the agency level, it is of crucial importance for successful implementation that agencies recognize the need for a new system. Change management is therefore a critical and often neglected aspect of IFMIS reform for overcoming resistance to change from those, who benefited from the "old" way of doing business, all the way to end users, whose work might be profoundly altered by the new system (Combaz, 2015). It is important to "sell" the reform through communication, education and training, using various channels such as the media, workshops, seminars, conferences, etc. Many IFMIS projects have also failed due to the lack of clarity in ownership of the system and unclear authority to implement. Due to the institutional segmentation of public expenditure management, it is not always immediately clear who, from the Ministry of Finance or Accountant General Department, should be in charge of an IFMIS project. Joint ownership may result in a loss of accountability and real ownership of the project.

A proper functioning public IFMIS system is very crucial in the Kenyan case due to the devolution process. However, the implementation of IFMIS has proved to be a very demanding undertaking and has not been met with resounding success. The slow operationalization of the IFMIS system has affected the efficient and effective tracking and reporting of expenditures. According to the Controller of Budget's FY 2014/2015 half year Budget Implementation Review Report for the County Governments which was presented on February 2015, the IFMIS and G-Pay systems had not been fully operationalized in most Counties. In addition, The Office of the Controller of Budget (OCOB) also noted that although the IFMIS system has been installed in all the Counties during the period under review, its utilization has remained a big challenge, a problem attributed to unreliable connectivity and inadequate capacity of the users. Focusing on Kwale County, reports indicate that the status of the implementation of IFMIS in the County is still sub-par compared to other counties in the country. According to the Office of the Controller of Budget 2014/2015 half year budget implementation report Kwale County had three main challenges, that is, delayed adoption of IFMIS, inadequate human capacity and low local revenue collection. Arguably, these challenges can be addressed at the county level if there was adequate management support. This, therefore, leads to the question, how management supports for financial infrastructure influence the implementation of IFMIS in Kwale County?

Research Design and Methodology

The study adopted the survey research design targeting the management and accounting staff of 14 administrative units, that is, the executive and county assembly based in Kwale County. A sample size of 84 respondents obtained through simple random sampling was used. Data was collected using questionnaires. The data was analyzed using both descriptive and inferential statistical methods. The descriptive statistics involved the use of frequencies and percentages while inferential statistics involved the use of correlation and multiple regression models.

II. esults and Discussions

This section presents results arising from the analysis of data collected using questionnaires. The study sought to establish the influence of management support for financial infrastructure in the implementation of IFMIS in Kwale county government. The results are summarized in Table 1 and discussed as follows;

Table 1: Management Support for IFMIS Financial Infrastructure

	SA	A	N	D	SD
Statement	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)
Our management has undertaken broad consultations with financial and ICT experts to ensure that the county has the most reliable automated financial systems	9(14)	36(55)	6(9)	13(20)	1(2)
The county management has committed to fully resourcing the implementation of IFMIS in the county through a well established policy framework	4(6)	26(40)	10(16)	19(29)	6(9)
The management often ensures that our finance and ICT departments are well staffed to avoid work backlogs	5(8)	41(63)	12(18)	5(8)	2(3)
Our management highly recommends the use of IFMIS when transacting business across all county government departments	11(17)	24(37)	4(6)	18(28)	8(12)
Our county management allows the finance and ICT departments the right to allocate their overall budgets	0	26(40)	12(18)	27(42)	0
Our county management supports the regular review of the IFMIS systems so as to avoid complications that may lead to revenue leakages	10(15)	24(37)	7(11)	13(20)	11(17)
Management always supports the implementation of recommendations of IFMIS technical reports	4(6)	27(42)	9(14)	23(35)	2(3)
The management always insists on the upholding of the IFMIS system integrity to encourage better PPP	5(8)	25(39)	10(15)	22(34)	3(5)

Looking at the findings in Table 4.3 it is evident that the County management had undertaken broad consultations with financial and ICT experts to ensure that the county has the most reliable automated financial systems as indicated by majority (55%) of the respondents.The findings also reveal that county management had committed to fully resourcing the implementation of IFMIS in the county through a well stablished policy framework (40%). The County management often ensured that the finance and ICT departments are well staffed to avoid work backlogs (63%). Other findings indicate that the County management highly recommends the use of IFMIS when transacting business across all county government departments (37%). However, it emerges from the findings that the county management does not allow the finance and ICT departments the right to allocate their overall budgets (42%). Other findings indicate that the County management supports the regular review of the IFMIS systems so as to avoid complications that may lead to revenue leakages (37%). In addition, the management always supports the implementation of recommendations of IFMIS technical reports (42%). The County management always insists on the upholding of the IFMIS system integrity to encourage better PPP (39%). These findings imply that management support for financial infrastructure was important in implementing IFMIS. The findings concur with that of a study by Hove and Wynne (2010) in Malawi that revealed that the lack of political will led to major implementation delays: 10 years after the start of the project, the system was still not running. Such examples demonstrate that in many cases, the role of individual incentives and political will were not taken sufficiently into account when introducing IFMIS.

4.3.1 Correlation Analysis

These results of the correlation analysis are summarized in Table 2.

Table 2: Summary of Correlations

		Management Support for Financial Infrastructure	IFMIS Implementation in Kwale County Government
Management Support for Financial Infrastructure	Pearson Correlation	1	0.498
	Sig. (2-tailed)		0.001
	N	65	65
IFMIS Implementation in Kwale County Government	Pearson Correlation	0.498	1
	Sig. (2-tailed)	0.001	
	N	65	65

A correlation analysis to determine the influence management support for financial infrastructure had in the implementation of IFMIS in Kwale County government showed that a strong positive significant relationship existed ($r = 0.498$, $p < 0.05$). This suggests that decisions made by management in support for financial infrastructure necessarily affected IFMIS implementation in the county government. These findings agree with those of case study of IFMIS in Ethiopia by Peterson (2011) that revealed that the most important factor in the implementation process was the management's commitment to reform, as the changes ultimately have to be implemented at this level.

Table 3: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498[a]	0.248	0.2361	1.873
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	4.714	1.776	
	Management Support for Financial Infrastructure	.467	.191	.449

a. **Dependent Variable:** IFMIS Implementation in Kwale County Government

The linear regression analysis in Table 3 shows that the value obtained for R, which is the model correlation coefficient = 0.498 was higher than any zero order value in the table. This indicates that the model improved when more variables are incoporated when trying to analyze the influence of Management Support for Financial Infrastructure on the implementation of Integrated Financial Management Information System in Kwale County government. The r square value of, r = 0.248, also indicates that the regression model could explain for approximately 25% of the variations in IFMIS Implementation in Kwale County Government while other variables not investigated in the present study could explain upto 75% of the variations not shown in the model. Moreover, the findings also suggest a linear relationship exists between the two variables. This means that Management Support for financial infrastructure ($\beta = 0.449$, $p < 0.05$) made a notable difference in the implementation of IFMIS in the County government and needed to be emphasized by the stakeholders.

Discussions

The findings have revealed that management support for financial infrastructure strongly influenced the implementation of IFMIS in the County government. The County management had undertaken broad consultations with financial and ICT experts to ensure that the county has the most reliable automated financial systems as indicated by majority.The findings also revealed that county management had committed to fully resourcing the implementation of IFMIS in the county through a well established policy framework that also ensured that the finance and ICT departments are well staffed to avoid work backlogs. However, it emerged from the findings that the County management does not give budget autonomy to the finance and ICT departments. The County management also supports the regular review of the IFMIS systems and the implementation of recommendations of IFMIS technical reports. These findings agree with Hove and Wynne (2010) and Chêne (2009) who showcased management support as an important consideration in the implementation of IFMIS as they were the principal decision makers. Therefore, for successful implementation of IFMIS, it was important to enlist the support of the management.

III. Conclusions and Recommendations

Based on the results of the study, it can be concluded that, first, management support for financial infrastructure significantly strongly influenced the implementation of IFMIS in the County government. Essentially decisions made by management in support of financial infrastructure necessarily affected IFMIS implementation in the county government. It is, therefore, recommended that the county government needs to work out modalities that will enable it to grant more budgetary autonomy to the finance and ICT departments so as to increase their decision making capability on matters concerning IFMIS implementation.

References

[1]. Alzeban, A., & Gwilliam, D. (2014). Factors affecting the internal audit effectiveness: A survey of the Saudi public sector. *Journal of International Accounting, Auditing and Taxation*, 23(2), 74-86.

[2]. Bowen, J.J. (2015), Factors Affecting Performance Of The Integrated Financial Management Information System In Nakuru County Treasury. *Unpublished Thesis, Kenya Methodist University*

[3]. Bwoch, G., & Muwanga, R. (2009). *Financial Management and Accountability Reform*. In: Kuteesa, F., Tumusiime-Mutebile, E., Whitworth, A., & Williamson, T. *Uganda'sEconomic Reforms. Insider Accounts*. Oxford University Press.

[4]. Brown, M., Jappelli, T., & Pagano, M. (2009). Information sharing and credit: Firm-level evidence from transition countries. *Journal of Financial Intermediation*, 18(2),151-172 Chêne, M. (2009). The Implementation of Integrated Financial Management Systems (IFMIS).

[5]. U4 Helpdesk, with Transparency International & Chr. Michelsen Institute. http://www.u4.no/publications/the - implementation -of-integrated-financial-management-systems-ifmis/downloadasset/393

[6]. Cohen, A., & Sayag, G. (2010). The effectiveness of internal auditing: an empirical examination of its determinants in Israeli organisations. *Australian Accounting Review*, 20(3), 296-307.

[7]. Combaz, E. (2015). *Implementing integrated financial management information systems* (GSDRC Helpdesk Research Report 1229). Birmingham, UK: GSDRC, University of Birmingham.

[8]. Demirgüç-Kunt, A., & Levine, R. (2008). Finance and economic opportunity. *World Bank Policy Research Working Paper Series, Vol.3*

[9]. Diamond, J., & Khemani, P. (2006). Introducing Financial Management Information Systems in Developing Countries. *OECD Journal on Budgeting*, 5(3), 97–132.

[10]. Hendriks, C. J. (2012). Integrated Financial Management Information Systems: Guidelines for effective implementation by the public sector of South Africa. *South African Journal of Information Management,* 14(1), 529 - 538.
[11]. Hove, M. R., & Wynne, A. (2010). The Experience of Medium Term Expenditure Framework & Integrated Financial Management Information System Reforms in Sub-Saharan Africa: What Is the Balance Sheet?(Occasional Paper No. 9). African Capacity Building Foundation. http://elibrary. acbfpact. org/collect/acbf/index/assoc/HASH1fd.dir/file%20012.pdf
[12]. Kasumba, S. (2009).Where New Technology Meets Socio-Economic Impasses: A Study of the Integrated Financial Management System as a Management Control in Local Governments in Uganda. *Accountancy Business and the Public Interest*, 8(2), 1-43.
[13]. Lianzuala, A. & Khawlhring, E., (2008), Mizoram IFMIS Project, viewed 06 April 2016,from http://www.docstoc. com/docs/39661608/Mizoram-IFMIS-Project
[14]. Mihret, D. G. & Yismaw, A. W. (2007) "Internal audit effectiveness: An Ethiopian public sector case study," *Managerial Auditing Journal*, 22(5), 470 – 484,.
[15]. Njonde, J. N. & Kimanzi, K. (2014). Effect of integrated financial management information system on performance of public sector: A case of Nairobi County Government. *International Journal of Social Sciences and Entrepreneurship*, 1 (12), 913-936
[16]. Rakner, L. (2004): *The budget as theatre – the formal and informal institutional makings of the budget process in Malawi, Final Report, Bergen* (Norwegen): Michelsen Institute, Mimeo.USAID (2008). IFMIS A Practical Guide. http://pdf.usaid.gov/pdf_docs/ PNADK595.pdf)
[17]. World Bank (2008). Public Financial Management (PFM) Reform database, PFM automation and IFMIS: http://web. worldbank. org/WBSITE/EXTERNAL/PROJECTS/EXTFINANCIAL
[18]. World Bank & International Finance Corporation (2009). *Financial infrastructure: building access through transparent and stable financial systems.* World Bank