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Is the Size of Devolved Expenditure Optimal in Kenya? A Balanced Budget Approach

This study, assuming a balanced budget, attempts to estimate the optimal size of county government expenditure in Kenya using the panel ARDL regression and Scully (2008) model for the period 2013-2017. The panel ARDL series analysis reveals that devolved government size is optimized when county expenditures stand at 9.7% of GCP (Gross County Product). The estimated threshold size is higher than the current size of county government in Kenya. The low level of devolved government size in counties reflects the low level of economic development in Kenya. This finding is very much interesting since it highlights that the current size of county government in Kenya is below the optimum level or size and there is still scope of increase in devolved government spending to the GCP ratio in Kenya. County Government expenditure has the potential to stimulate the county economy and remove economic growth sticking points or even deduce market failures. This study therefore recommends that county government should increase its spending on infrastructure, social and economic activities.

Keywords

County, optimal, devolved, expenditure, GCP, balanced budget

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