

# Public Spending and Performance of County Economic Growth in Kenya

*N. Mose<sup>1\*</sup>, L. Kibet<sup>2</sup> and S. Kiprop<sup>2</sup>*

*<sup>1</sup>University of Eldoret, P.O. Box 1125, Eldoret, 30100, Kenya*

*<sup>2</sup>Egerton University, P.O. Box 536, Egerton, 20115, Kenya*

***Corresponding Author: ngmoce@gmail.com: Tel: +254723539276,***

From empirical studies, the effects of components of public expenditure on economic growth appear to provide mixed results. Despite this ambiguity, economic theory suggests that government expenditure induce economic growth. In Kenya, economic growth has been fluctuating despite the county and national spending increasing over time. It is against this background that this study was carried out to examine empirically the effect of components of spending on growth in Kenyan counties using panel data set over the period 2013 to 2017. The analysis techniques that were used in this study were descriptive and inferential statistics. Employing Harris–Tzavalis (HT) test, the study tested for the panel unit root and found that all variables were non-stationary at their level except GCP per capita and non-devolved expenditure. To check if the variables have long-run relationship, this study applied F bounds test. The result for this test revealed that there exists a long-run relationship among the real GCP per capita and regressors in the model. Once co integrating was confirmed using F-bound, the long-run and error correction estimates of the panel ARDL model were obtained. The findings revealed that the coefficient of recurrent and non-devolved expenditure were positive and significantly influence county growth in Kenya. However, capital expenditure was insignificant during the study period. The implications of this is that policy makers should focus more on how to enhance capital spending in order to enhance private capital accumulation and consequently county economic growth in long-run in Kenya.

**Keywords:** ARDL, counties, economic growth, expenditure, Kenya