THE EFFECT OF GOVERNMENT EXPENDITURE ON AGRICULTURAL OUTPUT IN KENYA

BY

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ABSTRACT

This research study was developed with an aim of investigating the effect of government expenditure on agricultural output in Kenya. The research was guided by the specific objectives: To describe the correlation between the governments' expenditure on the funding agricultural sector and the actualization of agricultural output; To analyze the long run and short run effects of the correlation between government expenditure on the agricultural sector and agricultural output; and to develop recommendations on improvements in the correlation between government expenditure on the agricultural sector and agricultural output and suggest possible research questions that may be pursued by research institutions or individual researchers, in order to answer the following research questions: What determines agricultural output?; Does government expenditure affect the levels of agricultural output?; and to what extent does government expenditure affect agricultural output? Using a sample size of 16 years from 1994-2009, the research analysis was done with the use of the ordinary least squares technique with the major hypothesis that; a change in government expenditure in the agricultural sector causes a significant change in the levels of agricultural output realized in the country. In the findings, it was found that in the Kenyan economy, a unit change in the quantity of government recurrent expenditure causes a 0.055 unit change in the value of agricultural output, in terms of gross marketed production, at 5% level of significance. This finding reveals that other government expenditure allocations have a significant effect on the gross marketed value of agricultural output in Kenya, such as government expenditure on agricultural research and development, and hence the researcher recommends that the government needs to implement strategic measures to boost production in the agricultural sector and hence improve the percentage of food security for the country.