

EFFECT OF REVENUE COLLECTION ON SERVICE DELIVERY: A CASE OF
NAIROBI COUNTY

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DECLARATION

This proposal is my original work and has not been presented to any other university for Academic purposes

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ABSTRACT

Revenue is income that a company receives from its normal business activities, it is normally derived from the sale of goods and services to customers. County governments bare the sole responsibility of delivering services to the community such as education, health, water, sanitation and garbage, transport and infrastructure. The purpose of the study was to investigate the effect of revenue collection on service delivery taking a case study of Nairobi County, Kenya. . The specific objectives were to determine the effect of sources of revenue, effect of reforms and modernization and effect of revenue enhancement plan on service delivery in Nairobi County. The study was guided by displacement theory, optimal theory taxation and the public finance theory. The study adopted a descriptive research design. The study targeted 230 taxpayers and 20 tax officers in Nairobi County. A sample of 115 taxpayers and 20 tax officers was considered. The study used primary data collected using structured questionnaires. Both primary and secondary data was used where questionnaires were employed to collect primary data while secondary data was obtained from Nairobi County budgetary reports and financial years reports and academic materials. Both descriptive statistics and inferential statistics was carried out with the help of the SPSS software. The findings indicated that sources of revenue, reforms and modernization, revenue enhancement plan significantly affects service delivery in Nairobi County. Thus the study recommends that the management of Nairobi County should seal loop holes that make them lose tax they collect from various sources and this can be done by enhancing accountability in their systems. The Nairobi County management should also hold workshops for the county revenue officers to train them on reforms and modernization of operations in tax collection.

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ABBREVIATIONS AND ACRONYMS

ERS	Economic Recovery Strategy
GOK	Government of Kenya
IEA	Institute of Economic Affairs
KRA	Kenya Revenue Authority
PIN	Personal Identification Number
P-W	Peacock & Wiseman
REP	Revenue Enhancement Plan
RMO	Reforms & modernization of Operation
SD	Service Delivery
SPSS	Statistical package for social sciences
SR	Source of Revenue
VAT	Value Added Tax

DEFINITION OF TERMS

Revenue: Income that a company receives from its normal business activities, usually from the sale of goods and services to customers (Fjeldstad, & Heggstad 2012).

Tax Avoidance: Refers to tax payer getting round the law to reduce his tax liability to the tax collectors (Higgins, Omer, & Phillips, 2014).

Tax Compliance: The word compliance is used to refer to registration with KRA as taxpayer, keeping of business records, filing of self-assessment returns and payment of taxes when they are due (Eidelman, 2018).

Tax Evasion: It is unlawful, this regularly involves citizens purposeful distorting the genuine condition of their undertakings to the tax experts so as to bring down their tax obligation and incorporates unscrupulous (Brealey, Myers, & Allen, 2008).

Taxes: Refers to methods used by governments to give charges on its people and corporates to fund their uses (Vickneswaran, 2014).

DEDICATION

I dedicate this project to my daughter Tiffany and not forgetting my family members especially my parents, Mr. and Mrs. H.K Tarus who always encourage me to seek for knowledge and wisdom. May the blessings of the Lord be upon you.

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CHAPTER ONE

INTRODUCTION

This chapter introduces background of the effect of revenue collection on service delivery. It examines the global, regional and local perspectives of the research. It highlights the problem statement, study objectives, research questions and scope and justification of the study.

1.1 Background of the Study

A few countries have increased the powers and responsibility of local government but they have not matched those responsibilities with revenues at the local level. A number of nations permit local governments to levy taxes capable of generating sufficient revenue to meet expanding local needs (Bird, 2000). Not only do local governments hinge on inter-governmental transfers, their own revenue sources are lacking. Local government in less developed nations faces significantly more noteworthy hitches relating to revenue collection (Dirie, 2005). The potential elements influencing revenue accumulation may incorporate:- the tax base being frequently feeble, particularly when contrasted with the tax base of the central government.

Bird (2000) indicated that they have few revenue source, need motivation to produce their very own revenues and don't utilize the current income from these sources. For example property charges are hard to oversee and gather. They frequently have practically no influence over the duty rates they can impose. It is the priest of nearby government who has the control over the expenses the neighborhood specialists can collect. Absence of computerization. Most nearby specialists have not automated their income gathering capacity. In this manner influencing their revenue quality. Ultimately, authoritative structure. There is no focal division which facilitates the issue of income capacities. Additionally influencing the achievement of revenue gathering is poor framework, insecurity, absence of tax staff, absence

of income accumulation vehicles, absence of staff preparing and un co-employable network, debasement etc. The principle factors adding to an enriched income execution are revisions in tax enactment, charge organization and negligible tax avoidance (Mornseet & Rquierdo 1993). Nwaorgu, A. (2016) directed a longitudinal examination of business development and aggregate income execution. Among the achievement factors, he found that organizations with ground-breaking business stages beat peers in aggregate revenue development over a 15years period. He presumes that business stages can be implies for hierarchical recharging, continuum development and maintainable achievement.

Mwachiro (2013) did a study on the internal controls movement at Kenya Revenue Authority in order to set up whether such inside controls have made any significant results in extended assembled income. The examination was driven using blended systems. The data assembled was penniless down and disclosures revealed that the five portions of control condition, chance evaluation, control activities, information and correspondence and checking must be open for inside controls to work. The examination developed that feeble inside controls urge plot to deception, loss of pay and misappropriation of accumulated income. The investigation subsequently inferred that inside controls do work despite the fact that with hiccups therefore there is a noteworthy impact between interior controls and revenue collection in KRA which in turn has effect on service delivery to the taxpayers.

Mituhallah (2002) conducted a study on revenue sources in Nairobi City Council using descriptive research design. It was revealed that sources of revenue such as Bill boards, Neon signs, advertisements, plans, Approvals, Health, Single business permit, Displays, Rates and Rents can generate enough revenue; she also found out that political interference is leading

60 percent of revenue miss-management. The study advocates She recommended that financial management can make city council of Nairobi self-sustaining even without LATF.

According to Munge (2005) explored variables influencing arrangement of value benefits in neighborhood experts. He discovered that impedances from common pioneers and individuals from parliament is a genuine factor influencing arrangement of value administrations and income accumulation the board. Mwangi (2014) directed an examination on components impacting local authority tax compliance. He noted that under reporting and under payment is the most prevalent form of tax non-compliance. Tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption. He also recommended Discount rates for early payments and consideration of tax amnesty for those that have not been compliant so as to bring more of them into the Tax net.

Nairobi County Government is confronting exceptional difficulties in service delivery to city residents. Revenue gathered from sources, for example, exchanging licenses, advertise contribution, fines, and charges was additionally declining massively to be successfully used to give the expected administrations to the general population. This can be confirmed from the different deficiency budgetary spending plans of the County for three consecutive years, which means that the assessed consumptions are more than the assessed salaries henceforth a block to powerful service delivery. Along these lines, it is against this foundation that the analyst needs to basically survey the impact of income accumulation on service delivery.

1.1.1 Revenue Collection

Revenue is income that a company collects from its day to day business activities, normally from the sale of goods and services to its customers (Fjeldstad, & Heggstad 2012). The changes in monetary decentralization policy have realized inquiries on the limit of county governments to successfully offer administrations and guarantee value for cash in use. Some administration regulations which have had disturbing effects incorporate the formation of new sub counties and the nullification of graduated tax. Revenue refers to salary gotten by a firm as money counterparts. Deals income is pay gotten from selling merchandise or administrations over some undefined time frame. Revenue will be pay that an administration gets from taxes (PMORALG, 2006). Hence, there is need for county governments to provide sufficient information regarding delivery of services to the citizens. In a spending limit, delivery of service can be fortified through different ways, for instance, fortifying of responsibility and administration.

In progressively formal use, income is a figuring or estimation of intermittent salary dependent on a particular typical accounting practice or the guidelines stipulated in the regulations or laws. Two regular record strategies, accounting and gathering premise bookkeeping, do not apply a similar process for estimating income. Poor bookkeeping framework, inexperienced staff and government officials all influenced the presentation of local authorities (Fjeldstad, Katera, & Ngalewa 2017).

A classical economist Adam Smith (1776) put forward general principles of taxation which he suggested should be observed when imposing taxes, they include; equity, certainty, convenience, productivity, buoyancy and economy. These canons when followed in tax assessment, collection and administration, will improve on the revenue collection and

administration. Kabwegyere (2004) also noted that low revenue is a challenge to the decentralization model of a government if they want to offer quality services. This has directly affected the Local Governments ability towards service delivery due to a narrow tax base. However, challenges in revenue collection include among others and not limited to: the politicizing of local government financial affairs, intergovernmental revenue sharing which occurs in relation to property taxes among provincial and municipal governments (Hoffman, 2005). County governments are replicating the National government inadequacies in providing relevant, timely and appropriate services (Nyirinkindi, 2007).

In conclusion, as expressed by Miksell, (1986) the revenue collected provides net services delivered to the public. [Thus the level of revenue collected has a direct impact on the services being delivered.

1.1.2 Service Delivery

Service delivery is the way toward broadening fundamental administrations like instruction, social insurance, amenities and correspondence where the end clients are general society or local individuals inside the nation (Ray, 2007). Heskett (2006) defined service delivery as an attitudinal or dispositional sense, referring to internationalization of equal service values and norms.

Services can be broken in the following dimensions, Education which involves analyzing the sitting and writing space, infrastructure in schools, availability of qualified teachers, and level of absenteeism of teachers and accessibility of the schools. Secondly health is carried out by examining the number of health centers, accessibility, pre and post natal services, amount of drugs, and doctor to patient ratio. The third service provision includes water and sanitation

where the government looks at different sources of water, checking on whether it is safe for public consumption, and waste management. (Waiswa, 1999; Oloka-Onyango, 2004; Nyirinkindi, 2007; Oboth, 2001). If the water that is provided is not clean or waste is not collected regularly, it will contribute to the creation of unhealthy and unsafe living environment (Thandeka, 2010). County governments are capable of providing public services, mobilizing community resources, stimulating private investments, and investing in local infrastructure (Ssentamu 2004). A description indicating how services are being delivered to the community can be formulated. For example in the education sector, information on the enrolment and number of teachers, textbooks and pupils in a given sub county will be provided in the number of activities. This service being delivered data will provide information on the service delivery outputs, such as the pupil to teacher and textbook ratios. The question that always arises is in the adequacy of services provision which includes the efficiency and effectiveness of local authorities in performance (Phang 1995). Therefore revenue contributes a reasonable percentage in funding service delivery in the county level (Ndifuna,2008).

Clow, K., Tripp, C. and Kenny, J. (1996) indicated five determinants of service quality by request of importance. They incorporate dependability, responsiveness (eagerness to support clients and brief administration confirmation), and the capability to impart trust, sympathy and individualized consideration regarding clients. Other administration quality estimation devices think about have discovered that all around overseen administration organizations have the accompanying practices: key idea and top administration support, exclusive expectations of administration conveyance, administration observing frameworks, fulfilling client protests and accentuation on worker fulfillment (Anthony & Young, 2004). As

indicated by serve equal model dependent on hole hypothesis, there are two elective approaches for estimating administration quality: interior and outer measures (Fjeldstad, Katera, Msami, & Ngalewa, 2010). Interior proportions of administration quality are envisioned to give the target if the company's presentation where it is concerned about estimating characters and beliefs of clients. Arrangement of value should exceed customer's need. Clients think about apparent administration. If the obvious organization is underneath want they lose eagerness with the provider while the backwards makes loyalty (Blazek, 2005).

(Mpaata, Lubogoyi, & Okiria, 2017) conducted a study on the influence of revenue collection by the local county on delivering of basic services in Uganda where the results reveal that there is a relationship between the existing tax base and delivery of basic community services in the district, relationship between the existing mobilization capacity and the delivery of services was also discovered by the study.

(Magambo, 2012) also carried out a study on the challenges of strategy implementation among public Corporations in Kenya. The findings reveal that untimely allocation of resources and inadequate funding are the main challenges. (Ringera, 2011) carried out a study on challenges of implementing performance contracting in the Public service. The study established that resistance to change was a major challenge. The studies reviewed indicate that there are no studies that have addressed challenges facing implementation of devolution strategy

1.1.3 The Nairobi City County

Nairobi city council was brought into being by a royal charter by King George the sixth. It was given status of municipal in 1935 and was elevated to city status in 1950. The literature review will enable me know what has been done concerning management deliverables on revenue collection and the achievements that have been made and challenges that should be reviewed by the study. Its primary capacity is to convey administrations to the inhabitants of Nairobi and keep up the city status of Nairobi.

These administrations incorporate water and sewerage, instruction, foundation, city arranging and improvement control, and medicinal wellbeing administrations, social administrations, welfare, youth, markets, exchanging and lodging administrations, streets, entries and road lighting administrations. CCN gets its legitimate order from the county government act (Cap 265) of the laws in Kenya among other demonstration of parliament that contention its assorted center capacities and needs.

1.2 Statement of the Problem

Fisman and Gatti (2012) did a study on the disparity between revenue generation and expenditure in United States and found that larger centralized removals are related with high rates of sentence for abuse of public office, which backs the philosophy that soft-budget constraints created by national governments transfers are potentially problematic.

County governments bare the sole responsibility of delivering services to the community such as education, health, clean water, transport and infrastructure. Policies and reform measures for FY 2017/2018 revised budget focused on implanting these services. Development expenditure in Nairobi County accounted for Ksh.2.179B against a target of Ksh. 8.365B which translates to a 64% deviation from the target. The slow rate of absorption of funds

impacts negatively on service delivery. (County Treasury, 2018). The number of primary schools in Nairobi has stood at 225 for the last 20 years despite the education sector accounting for 32M in its budgetary allocation

According to the Nairobi county budget 2017/2018 the health sector received the lion's share of the budget at 20% of the budget at 1.2B but a slow pace of service delivery in public hospitals is still being witnessed in addition to some of the centers being closed like Jericho dispensary in Buruburu. Construction of a 72 bed capacity ward at Mama Lucy hospital which was to enhance service delivery but to date congestion is still being witnessed in the county hospitals.

The constitution gives powers to county governments to raise revenue by imposing property taxes. Despite an allocation of 1.86M allocated to public works, transport and infrastructure in decongesting the city by building four main parking areas and ride stations to serve private motorists and designate pick-up points for public service vehicles since 50% of traffic is caused by pedestrians and cyclists, these is yet to be accomplished.

Service delivery in Nairobi county continues to deteriorate with each passing day, from garbage collection challenges, to hawkers taking over the streets, dry water taps, traffic congestion (UNDP,2018)

According to Kaziba, (2017) service delivery have been reliably respected by the arrangement creators to be significant capacity of the open segment elements with regards to the general monetary and social advancement .However, County Governments in Kenya have been seen since the inauguration of the new constitution to be underperforming as the service

delivery capacity has deteriorated to the extent that even most basic services are not always provided.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study was to investigate the effect of revenue collection on service delivery in Nairobi County.

1.3.2 Specific Objectives

The study was guided by three specific objectives:

- i) To determine the influence of sources of revenue on service delivery in Nairobi county government.
- ii) To determine the effect of reforms and modernization of operations in revenue collection on service delivery in Nairobi county government.
- iii) To establish the effect of revenue enhancement plan on service delivery in Nairobi county government.

1.4 Research Questions

The study was guided by the following research questions:

- i) What is the influence of sources of revenue on service delivery in Nairobi county government?
- ii) What is the effect of reforms and modernization of operations of revenue collection on service delivery in Nairobi County government?
- iii) What is the effect of revenue enhancement plan on service delivery in Nairobi county

government?

1.5 Justification of the Study

1.5.1 Kenyan Government

This investigation yields information and data that is valuable to the Kenyan government and local government in planning sound monetary administration methodologies in revenue gathering and causes them to embrace strategies to authorize money related order among local governments.

1.5.2 County Government

The study helps Nairobi County government to develop techniques to ensure a pool of resources is available to provide their services more effectively and efficiently.

1.5.3 Researchers

It is also significant to researchers and other scholars as a background for reference in future studies and adds to the existing knowledge of literature.

1.6 Scope of the Study

This study investigated the effect of revenue collection on service delivery in Nairobi County which is county number 47 in Kenya. The study specifically established the effect of source of revenue, reforms, modernization of operation, and revenue enhancement plan on service delivery in Nairobi County. The target population was 250 employees according to the records of Nairobi County for the financial year 2017/2018. The study was conducted from January to August 2019.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter highlights revenue collection and the effect it has on service delivery. The discussions are based on three chosen theories that provide the theoretical background of this study, followed by existing empirical evidence for each variable and a conceptual framework of the same. Critic of existing literature that have been advanced by different scholars are also discussed at length. In conclusion, a summary was drawn from these reviews of literature and the research gap discussed in detail.

2.2 Theoretical Framework

The study was guided by three theories. The first theory supporting the study is displacement theory as stated by Peacock and Wiseman (1961), optimal theory of taxation by James (1971), the other theory guiding this study is the public finance theory by (Musgrave (1959).

2.2.1 The Displacement Theory

Peacock and Wiseman (1961), alluded to as P-W, embrace a plainly inductive way to deal with clarifying the development of government consumption. At the point when P-W saw that consumptions after some time seemed to plot a progression of levels isolated by pinnacles, and that these pinnacles merged with times of war and planning for war they were directed to clarify the 'uprooting impact' theory. The three fundamental recommendations hidden the P-W examination are that governments can generally discover productive approaches to use accessible assets, residents, when all is said in done, are reluctant to acknowledge higher assessments, and governments must be receptive to the desires of their natives Peacock and Wiseman (1961). From these fundamental principles P-W infer the key

idea of a 'decent weight of tax collection'. This can be related to the various source of revenue collection in Nairobi County. The various sources include, but are not limited to rent and rates, parking fees, licenses and permits. These sources influence service delivery in the county.

It is expected that ideas about tax assessment remain genuinely stable in peacetime. As a result, the restricted income limit of the legislature in peacetime forestalls real increments in consumptions. In this manner, in settled occasions the ideal government consumptions and the breaking points of tax collection are probably going to separate. Amid times of social change, for example, war this difference is probably going to be limited, for all time dislodging the weight of tax collection upward (Ghura, 2006). In the midst of emergency once inadmissible income raising techniques will be endured, and (it is guaranteed) the higher expense resistance will persevere even after the emergency dies down, consequently empowering the administration to execute consumption programs that it recently wanted yet couldn't back. Besides, P-W contend that a war brings into center issues that were not recognized previously. This is known as the 'examination impact Peacock and Wiseman (1961). The inductive approach in the P-W displacement theory can be related to the various source of revenue collection in Nairobi county which influence service delivery in the county.

2.2.2 Optimal Theory of Taxation

This theory was developed by Ramsey in 1927 through an article "A Contribution to the Theory of Taxation". The theory was among the first to focus on revenue collection and growth from an economic stand point. Optimal taxation theory is concerned with the designing and implementation of a tax system that reduces inefficiency and market distortion.

The theory acknowledges that inequality will always exist in markets but any tax system must strive to eliminate inefficiencies as much as possible.

The optimal theory of taxation by James (1971) can be viewed as a procedure for decreasing the charges of taxation. The charges on which this literature emphasizes are, the proficiency costs of a slanted tax system. This can be related to the effect that reforms and modernization of operations has towards revenue collection. This additionally impacts the service delivery to the residents. In any case, the more straightforward expenses of organization and consistence assume next to zero job in the examinations, and the hypotheses of tax avoidance (James, 2005). Up until this point, the potential increases from utilizing the bits of knowledge of the tax avoidance writing in the investigation of ideal tax assessment have not been completely abused, despite the fact that for certain parts of tax collection the avoidance viewpoint is clearly profoundly applicable. The writing on tax avoidance ought to be viewed as an approach to bring issues of expense organization into the focal point of the theoretical literature on duty plan (Ghura, 2006).

The theory of optimal income taxation has reached maturity and excellent reviews of the field are available (Mankiw et al. 2009, Salanié 2011, Piketty and Saez 2012) A first source of in satisfaction comes from most of the corpus of optimal tax theory assumes that individuals have identical preferences. For instance, Boadway lists the “heterogeneity of individual utility functions”(Boadway 2012) as one of the big challenges for optimal tax theory (along issues of government commitment, political economy, and behavioral phenomena).“The assumption of identical utility functions is made more for analytical simplicity than for realism. It also finesses one of the key issues in applied normative analysis which is how to make interpersonal comparisons of welfare”

The issue of making interpersonal comparisons of welfare is indeed much more than an issue of analytical simplicity. When individuals have the same utility function, the only ethical question that has to be settled is the degree of inequality aversion, over which it is not too difficult to perform a sensitivity analysis spanning the various possible value judgments (from utilitarianism to maximin). This is what optimal tax theory has done very well. In contrast, when individual preferences differ, interpersonal comparisons involve much more difficult questions, which, in folk justice (Gaertner and Schokkaert 2012), are generally addressed in terms of fair allocation of resources or opportunities.

In the last fifteen years, the theory has been enlarged to consider the more realistic case in which agents also differ in their preferences (Boadway et al, 2002). First, the objective of the planner is much more difficult to define, as it requires comparing agents with the same productivity but different preferences. Second, the taxation of each income interval influences high-productivity-high-aversion-to-work agents and low-productivity-low-aversion-to-work agents Van de Gaer 2011. Determining how much to tax such an interval of incomes is more difficult than when all agents have the same preferences, because in the latter case richer agents also have higher productivity (Jacquet and, Chone and Laroque 2012). A general solution has also been proposed by Saez (2002), recently refined and extended by Jacquet and Lehmann (2014). Saez's approach consists in modifying the way the objective of the planner is defined. It is no longer a function of agents' utilities, but a function of agents' incomes. All agents earning the same income, whatever their productivity receive the same weight, and the objective of the planner is defined in terms of the relative weights that are assigned to sets of people earning different incomes. The income weight approach offers a valuable solution to the technical difficulties of optimal tax theory in the presence of heterogeneous preferences. Nonetheless, the question of how to make interpersonal utility

comparisons, and, more specifically, how to compare high-productivity-low-willingness-to-work agents and low-productivity-high-willingness-to-work agents remains complex. Jacquet and Lehmann (2014).

To diminish the issue confronting the income accumulation, usually accepted that everybody in the public eye has similar inclinations over, state, utilization and recreation. Some of the time this homogeneity supposition that is made one stride further by expecting the economy is populated by totally indistinguishable people. It is imperative to pick the tax administration that augments the agent shopper's welfare, grasping that the purchaser will react to whatever motivations the assessment framework gives (Hazel, 2005). The assessment framework in the optimal theory of tax collection can be related to the reforms and modernization of operations that aid in revenue collection and influences service delivery.

2.2.3 Public Finance Theory

The Theory of Public Finance was postulated by Musgrave (1969). According to Musgrave, public finance ought to be used as a tool for accomplishment of given monetary and social targets. This can be related to the revenue enhancement plan that helps in increasing revenue collection that improves service delivery to the citizens. These various aspects of revenue enhancement plan include increase tax coverage, maximize collection and the accounting system. Before Musgrave, the idea of public account was to raise adequate incomes for gathering open consumption. At the end of the day, public finance was worried about the raising of budgetary assets for the State. In any case, Musgrave made a principal change in the nature and extent of public finance. Musgrave and his supporters underscored that open account is to help in the accomplishment of social and monetary goals and fund basic financial exercises.

Tax assessment is the focal piece of present day public finance. Its noteworthiness emerges not just from the way that it is by a long shot the most significant all things considered yet additionally in view of the gravity of the issues made by the present day taxation rate (Bohanon, Horowitz & McClure, September 2014). The essential objective of revenue gathering is raising income. An anomalous condition of tax accumulation is essential in a welfare State to fulfill its duties. Revenue accumulation is connected as a device of accomplishing certain social objectives for instance as a techniques for redistribution of wealth and thusly diminishing incongruities. Tax appraisal in a bleeding edge Government is along these lines required not just to raise the salary required to meet its reliably creating utilization on association and social organizations yet in addition to diminish the uneven characters of pay and wealth. Revenue gathering is moreover foreseen to draw away money that would somehow go into use and cause development to rise.

This study sets that given the shifting idea of financial bases, a sub-national government should coordinate its base with the suitable revenue structure with various degrees of enhancement. Thus, the income dependability can be improved through a well-coordinated tax structure (Shaoul Jean, 2010). The well-matched tax structure in the public finance theory can be related to the revenue enhancement plan that include various aspects like increase tax coverage, maximize collection and the accounting system that helps in increasing revenue collection that improves service delivery to the citizens.

2.4 Conceptual framework

Conceptual framework is an exhibition of the relationship between the independent and dependent variables (Mugenda & Mugenda, 2003). Conceptualization of the study variables

has been shown in the conceptual framework which explains the relationship between the dependent variable, which is service delivery while source of revenue, reforms and modernization of operations and revenue enhancement plan were the independent variables as shown in Figure 2.1.

Independent variables

Dependent variable

Revenue collection

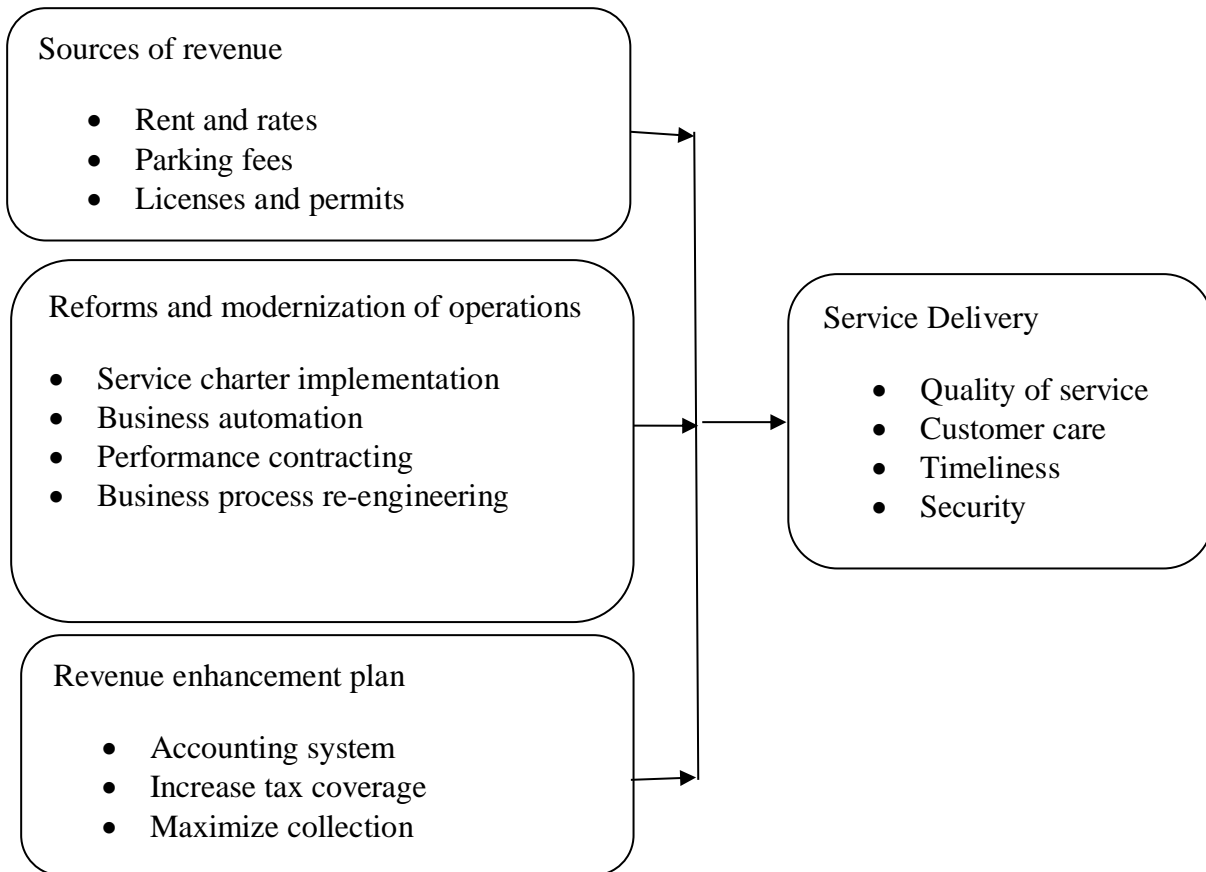


Figure 2. 1: Conceptual framework

Source: Researcher 2019

2.5 Empirical Review

2.5.1 Sources of Revenue and Service Delivery

A proficient tax framework is a framework which gathers the most noteworthy measure of income from the current assets in the quickest conceivable time span and with the least conceivable accumulation costs, (Shahroodi, 2010). From this definition three actualities of income productivity emerge. The first being on the income raised, with proficient frameworks raising high incomes. The second aspect is on the time spent on paying or gathering income. Proficient frameworks guarantee that charges are paid and gathered in the briefest time conceivable. The last aspect of income productivity is on the expense of gathering income. Effective frameworks guarantee that the expense of settling and gathering government obligation is limited however much it may be expected. In this way charge effectiveness includes augmenting income while in the meantime limiting the expense and time of raising the tax income (Sharoodi, 2010).

Bisobye (2000) dwelt on the significance of tax collection in the generalities of tax revenue, which revenue is used for service delivery. He urged that the revenue collection depends largely on collection of machinery available, tools and the competence of revenue collectors and compatibility of tax collection machinery

Nzotta (2009) opined that taxes constitute key revenue sources to the various tiers of government in Nigeria. A tax policy represents a model for resource mobilization and allocation. The imposition of taxes is premised on the following objectives: protection of infant industries, regulation of the manufacture of certain goods, control business activities,

curtail persistent rise in the price level as well as reducing inequalities in income brackets. Mituhallah (2002) using descriptive research design did a study on sources of revenue in Nairobi city council. The findings revealed that revenue sources such as bill boards, neon signs, advertisements, plans, Approvals, Health, Single business permit, Displays, Rates and Rents can generate enough revenue; she also found out that political interference is leading to 60 percent of revenue mismanagement. The study advocated that financial management can make city council of Nairobi self-sustaining even without LATF.

(Valensisi & Karingi, 2017) contends that in tax accumulation, revenue organization is critical in the execution of an appropriately structured tax system. Revenue organization comprises of three interrelated exercises: the recognizable proof of tax liabilities dependent on existing tax laws, the appraisal of assessments to decide whether the duties really paid are littler (or enormous) than liabilities and, the gathering, indictment and punishment exercises that force authorizes on tax dodgers and guarantee that charges and punishments due from citizens are really gathered.

2.5.2 Reforms and Modernization of Operations and Service Delivery

As the world advances into a worldwide village and everything having advanced technology it is critical to acknowledge change and adjust to the innovative changes occurring so as to upgrade adequacy in income gathering (Feldman & Slemrod, 2007). They additionally noticed that, new advancements have achieved new instruments to enable organizations to work all the more successfully, this thusly converts into higher assessments from the organizations. The income gathering office consequently needs to stay aware of the

mechanical progressions so as to abuse the new roads made in improving revenue accumulation. Kibe (2015) pointed out that the massive numbers of the people who pay for these services bring about complexities in efficient collection of revenue; however, many different information technology systems have been put in place for the purpose of assisting in the revenue collectors to carry out their duties.

While decentralization can possibly understand a more pleasant and progressively key appropriation of assets to the denied classes dependent on the specific conditions and needs of the concerned neighborhood society, it likewise has potential dangers to enlarge aberrations among areas. It is consequently critical to give unique consideration to guaranteeing value among various areas. In this examination, the specialist will confirm the manner by which decentralization influences the improvement of administration conveyance, while additionally investigating its association with in general program of part changes (Jibao & Prichard, 2015) Besides, scientists will likewise look at the possibility of the general population's "aggregate activity" and the joint effort between the neighborhood organization towards the improvement of administration conveyance (Kibagendi, 2012). The investigation will be done as how proficiently the restricted accessible assets can be activated and utilized, and how successfully the administration conveyance can be made to address the natives' issues, through use of the previously mentioned aggregate activities, which are all normal to prompt the general objective of "neediness decrease".

In the Fourth Corporate Strategic Plan 2009/10 - 2011/12, KRA anticipates to take the Revenue Administration Reform and Modernization Programme (RARMP) to the next level as KRA conducts Business Process Improvements and rises the scope of electronic interaction with taxpayers to boost staff productivity and taxpayer service. This will be

related to modern technologies and international best practices through the Information Communication Technology Strategy. In its goal to re-engineer the business processes and modernize technology, the strategic purposes include Modernizing of the IT systems, improvement of the IT and information security and, modernizing of business processes and infrastructure. The key initiatives to achieve these purposes comprise: Modernizing and integrating IT systems and tools, implementing IT standards and procedures in accordance with IT best practices, implementing IT and information security programmes, developing disaster recovery and business continuity plans, reengineer business processes to provide more efficient services and, achieving and maintaining ISO 9001/2015 certification.

Tax reform according to(Azubike, 2009) is an ongoing process which tax policymakers and tax administrators in consonance with the economic and socio-political realities continued to adopt so as to restructure the tax system for efficiency revenue generation in the country. (Jimoh, 2017) revealed that tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis.

2.5.3 Revenue Enhancement Plan on Service Delivery

To succeed in the industry, an organization must select a mode of strategic behaviour which matches the levels of environmental turbulence, and develop a resource capability which complements the chosen mode (Englyst, 2003).

A consistent analysis of the importance of strategy to technology, change and innovation over the last four decades was conducted (Cummings & Worley, 2008), which clearly demonstrates the significance of increasing the understanding of the role of strategy in managing technologies to improve operational performance. In order to remain afloat and generate more spending power to the government, KRA had adopted a number of strategies as a way of enhancing revenue collection. The revenue enhancement strategies in KRA are multifaceted. They include tax payer education, computerized operations, flexible tax regime and compliance and staff training.

As verified by (Tapera, 2014), methodologies are at closures and these finishes concern the reason and targets of the association. They are the things that associations do, the ways they pursue and the choices they take so as to achieve certain focuses or dimension of progress. It is the bearing and extent of an association over the long haul: which accomplishes advantage for the association through its arrangement of assets inside testing condition, to address the issues of business sectors and to satisfy partner desires (business development, monetary execution and market initiative).

(Kakembo, 2007), in his study revealed that tax compliance is positively related to revenue collection. He said that Intention to pay taxes is also significantly positively related to attitudes and tax compliance which would help to increase on domestic revenue. The taxpayers' compliance level is greatly affected by the taxpayer's attitudes and intentions. Tax compliant taxpayers always have high intentions and positive attitudes towards the payment of taxes as a way of fulfilling the requirements of taxation laws.

2.6 Critique of Existing Literature

(Hope, 2013) led an examination on corruption in local governments. He discovered that debasement in local governments has achieved exceptional dimension and that it is in the authorities that nepotism, tribalism, are showed. He likewise discovered that debasement has undermined endeavors to make these establishments fairly manageable and powerful. This study did not focus of service delivery that the current study examines. (King'oina, 2010) conducted a study on management of strategic change practices on performance contract and rapid results initiative. He found out that performance contract together with Rapid Results. This study does not examine the level of effectiveness of service delivery that the current study examines.

Mwangi (2014) conducted a study on factors influencing local authority tax compliance. He noted that under reporting and under payment is the most prevalent form of tax non-compliance. Tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption. He also recommended Discount rates for early payments and consideration of tax amnesty for those that have not been compliant so as to bring more of them into the Tax net. This study did not focus of service delivery that the current study examines.

2.7 Summary of Previous Studies

Nwaorgu (2016) directed a longitudinal examination of business development and aggregate income execution. Among the achievement factors, he found that organizations with ground-breaking business stages beat peers in aggregate revenue development over a 15years period.

He presumes that business stages can be implies for hierarchical recharging, continuum development and maintainable achievement.

There has been a considerable amount of research which has been carried out on revenue collection. For instance, Mituhallah (2002) using descriptive research design did a study on sources of revenue in Nairobi city council. The findings revealed that revenue sources such as bill boards, neon signs, advertisements, plans, Approvals, Health, Single business permit, Displays, Rates and Rents can generate enough revenue; she also found out that political interference is leading to 60 percent of revenue mismanagement. The study advocated that financial management can make city council of Nairobi self sustaining even without Local Authority Transfer Fund. The review of literature has indicated knowledge gaps ranging from the contextual, conceptual and methodological knowledge gaps. The study for instance by (Munge, 2005) focused on factors affecting provision of quality services in local authorities. However, the studies did not mention any effect of revenue collection on service delivery in Nairobi County

2.8 Research Gap

(Mwangi, 2014) did a study on factors influencing local authority tax compliance. He noted that under reporting and under payment is the most prevalent form of tax non-compliance. Tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption. He also recommended Discount rates for early payments and consideration of tax amnesty for those that have not been compliant so as to bring more of them into the Tax net.

Vazquez Boex, and Martinez (2007), discovered considerable gaps between the local government appraisals of the revenue yields from local markets with the genuine revenue yield gathered by private operators. In this manner, it appears to be clear that instead of improving local revenue, the private tax collection framework in Uganda exchanges cash from standard and regularly poor provincial taxpayers and into the pockets of private tax specialists and their different partners and although the studies reviewed provided very useful information to the present study on revenue collection and service delivery.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was employed in the study. It outlines the research design, area of study, population of the study, sampling size and procedures, data sources, data collection instruments used and data presentation.

3.2 Research Design

Cooper and Schindler (2003) summarizes the essentials of research design as an activity and a time based plan; always based on the research question; guides the selection of sources and

types of information; frame work for specifying the relationship among the study variables and outlines the procedures for every research.

This study adopted a descriptive research design. This is because the study intends to obtain an in depth understanding of the effect of revenue collection on service delivery in the County Governments of Kenya. Descriptive research design is a preferred method because its analysis is primarily concerned with relationships between variables (Cox, Arnold, & Tomás, 2010).

3.3 Target Population

Target population refers to the group of people or study subjects who are similar in one or more ways and which forms the subject of the study in a particular study. The study comprised of tax administrators in Nairobi town; County Government of Nairobi. A tax administrator according to English dictionary is defined as a person who is licensed and certified to collect taxes on behalf of revenue authority in the county. Data was obtained from respondents in Nairobi County. The population was made up of 230 taxpayers and 20 tax officers in Nairobi County.

3.4 Sample Size and Sampling technique

A sample is a subset of the population. By studying the sample, the researcher will be able to draw conclusions that would be generalizable to the population of interest (Sekaran, 2003). Yamane formula was used to determine the sample size of the study because Yamane

formula assumes a normal distribution and it was assumed that the respondents were distributed normally in relation to the parameters under study that is revenue collection.

This formula also enables the selection of a sample that represents the population, with confidence and risk levels.

The Yamane formula is;

$$n = \frac{N}{1 + N(e^2)}$$

Whereby n represents the sample size for target population, N represents the population size, e represents the error of sampling or precision/error limit at 95% level of confidence and 5% level of precision is required (Yamane, 1967) . Using the above formula and a precision level of 5%, the desired sample size was; $n = 250 / 1 + (250 * 0.05 * 0.05)$; $250 / 1.60$; $250.63 \sim 156$. Therefore, 156 respondents formed the sample size for the study. The sampling technique for this research was simple random sampling.

3.5 Data Collection

The study used both primary and secondary sources of data. Primary data is data that is obtained from first hand sources and it was obtained through a questionnaire. A five scale Likert's scale questionnaire was designed and distributed to the respondent that is the employees of Nairobi County and secondary data which was collected from Nairobi County audit report summaries and monthly and yearly reports. Thus, data was analysed efficiently. Questionnaires were commonly used to obtain important information about the population. According to (Nyororo, 2006), a self-administered questionnaire is the only way to elicit self-reports on people's opinion, attitudes, beliefs and values. Questionnaire provides a high degree of data standardization and adoption of generalized information amongst any population. The closed ended questions were used for easy coding and analysis. These types of questions were accompanied by a list of possible alternatives ranging from strongly disagree to strongly agree, from which respondents was required to select the answer that best

describes their situation i.e. strongly disagree on the one extreme to strongly agree on the other.

Mugenda and Mugenda (2003) define a questionnaire as a written set of questions to which the subject responds in writing. Interview guides was used in qualitative data collection. The two ensured the results are dependable and thus reliability. They further state that questionnaires were cheap to administer to respondents who are scattered over a large area. It was convenient for collecting information from a large population within a short span of time hence suitable for the study. The questionnaire had both open and closed ended questions. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form; while the unstructured questions were used to encourage the respondent to give an In-Depth and felt response without feeling held back in revealing of any information.

3.6 Pilot Study

The researcher conducted pilot tests before the actual study to determine the validity and reliability data collection. In piloting, ten (10) taxpayers participated in the pilot study. Pilot study should be 10% of the sample size (Mugenda & Mugenda, 2003). 10% of the sample size was used for the pilot test. The researcher administered the research questionnaires to these respondents randomly.

3.7 Reliability

the extent to which results are consistent over time and accurately represent the characteristic of the total population under study after repeated trials can be considered reliability of an instrument. (Kimberlin & Winterstein, 2009). Reliability estimates were measured by

administering a set of questionnaire during the pilot study and the crude information from the instruments were subjected to cronbach's coefficient. Alpha was methodically, systematically and consistently computed using Cronbach's alpha measures. When the results of a study can be reproduced under a similar methodology then study is reliable (Kozinets, 2002). Cronbach alpha was used to test for reliability of data. The acceptance value of 0.70 was used as cut-off of the reliability for the study. The findings indicated that data instruments were reliable with a Cronbach alpha Value of above 0.70. In addition the Cronbach alpha for each of the variables was above the lower limit of acceptability thus reliable with source of revenue having 0.892; reforms & modernization of operation 0.711; revenue enhancement 0.810 and service delivery 0.717 as shown in Table 3.2.

Table 3. 1: Reliability Statistics

Variable	Cronbach alpha	Items	Comments
Source of Revenue	0.892	5	Reliable
Reforms & Modernization of Operation	0.711	4	Reliable
Revenue Enhancement Plan	0.810	5	Reliable
Service Delivery	0.717	4	Reliable

Source: Survey Data (2019)

3.8 Validity

According to Kothari (2004), validity is how much an instrument measures what it should measure. Therefore, validity refers to the extent an instrument asks the right questions in terms of accuracy. In addition, (Crocker & Algina, 1986) have pointed to the importance of a theoretical foundation by noting that constructs cannot be defined only in terms of operational definitions but must also have demonstrated relationships to other constructs or observable phenomena. Validity evidence is built over time, with validations occurring in variety of populations. Comprehensive literature reviews on measurement approaches are therefore critical including the selection of measures and measurement instruments. (Kimberlin & Winterstein, 2009)

The content validity was used for this study was determined through consultation with my supervisor and piloting responses of the subjects were checked against the research objectives. For a research instrument to be considered valid, the content selected and included in the questionnaire must be relevant to the variable being investigated.

3.9 Data Analysis

According to Zikmund et al., (2010), data analysis refers to the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation. Data collected was coded organized and cleaned for any inconsistencies and entered into an Excel sheet. Statistical package for social sciences (Version 25) software was used to aid in the analysis.

Data was analyzed by using statistical tests that depended greatly on the type of variables being studied. Variables can be either continuous, meaning that they change according to small increments, or dichotomous, in which the variable is divided into categories (Slavin, 2007). Both descriptive statistics and inferential statistics was conducted. Descriptive analysis

refers to research studies which are based on first initial observations and are intended to describe the features that accompany the phenomena (Jwan, 2010). Multiple linear regression was used because there are more than one variable assumed to be having combined linear effect on the dependent variable. Multiple regression model attempts to determine whether a group of variables together predict a given dependent variable(Frank, 1995). Inferential statistics involved regression analysis.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: β_0 = Constants

β_1 .is the sensitive co-efficient of each independent variable (1,2,3)

Y = The dependent variable Service delivery

X_1 = Sources of revenue,

X_2 = Reforms and modernization of operations,

X_3 = Revenue enhancement plan,

ε = Error term.

3.9.1 Operationalization of Variables

Operationalization facilitates reduction of abstract notions of construct into observable behavior or characteristics so that they can be measured (Sekaran, 2012).Service delivery was operationalized using source of revenue, reforms & modernization of operation, and revenue enhancement plan.

Table 3. 2: Operationalization of Study Variables

Variables	Source/Authors	Data collection instrument	Measurement scale	Types of Analysis
Independent variable				
Source of revenue	Sharoodi (2010)	Questionnaire	5 point likert scale	Quantitative
Reforms modernization of operation	& Naomi & Joel (2011)	Questionnaire	5 point likert scale	Quantitative
Revenue enhancement plan	Acur & Englyst (2006)	Questionnaire	5 point likert scale	Quantitative
Dependent Variable				
Service delivery	Nairobi County Reports (2017/2018)	Questionnaire	5 point likert scale	Quantitative

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter outlines the data analysis, presentation and interpretation. The study objectives formed the basis of data analysis and presentation. The data analysis initiates with the demographic knowledge' of the respondents followed by interpretation and discussion of research results established from the research questions. The findings are presented in frequency tables and graphs.

4.2 Response Rate

The researcher distributed 156 questionnaires out of which 137 were received, 7 questionnaires were rejected due to improper incompleteness. Thus 130 questionnaires were accepted as correctly filled which represent a response rate of 83 %. As indicated by Mugenda and Mugenda (2003) in his studies 50 per cent of reaction rate of above 70% rated is very good. This means that a response of 83% was very good for data analysis. Based on these assertions, this implies that the response rate for this study was adequate. Figure 4.1 illustrates the level of response rate.

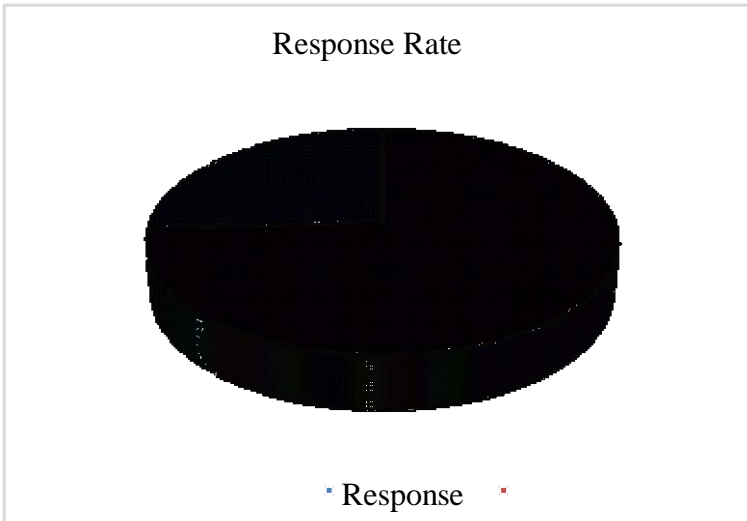


Figure 4. 1: Response Rate

Survey Data (2019)

4.3 Respondents' Age Group

In this area of the study, the researcher wanted to establish the age category of the respondents. Table 4.1 illustrates the study findings.

Table 4. 1: Respondents' Age Group

Age Group	Frequency	Percentage
10 - 29 years	25	19.2
30 – 39 years	58	44.6
40 – 49 years	20	15.4
50 - 59 years	27	20.8
Total	130	100

The findings above show that majority 44.6% of the respondents were aged between 30 – 39 years, followed by 20.8% who were aged 50 – 59 years, 19.2% were aged between 10-29 years and 15.4% were aged 40 -49 years. From these findings, most of the respondents belong to an age category of 30-39 years. This is the most active age group hence they are actively involved tax administration, therefore they had rich experiences, could also appreciate the importance of the study.

4.4 Highest Level of Education

The researcher sought to find out the highest level of education of respondents. Table 4.2 highlights the findings.

Table 4. 2: Highest Level of Education

Professional qualification	Frequency	Percentage
Primary	3	2.3
Certificate	33	25.4
Diploma	35	26.9
Degree	56	43.1
other	3	2.3
Total	130	100

Table 4.2 shows that majority 43.1% of the respondents were degree holders, this was followed by 26.9% who have attained their certificate, 25.4% were diploma holders,2.3% were other level, while 2.3% were primary level. Generally, revenue administrators in

Nairobi County have at least a bachelor's degree/diploma and these signify the importance of such skills in revenue collection.

4.5 Statistical Assumptions

Statistical tests rely upon certain assumptions about the variables used in the analysis. According to Osborne and Waters (2014), when these assumptions are not met then the results may not be valid. They further argue that this may result in a type I or type II error, or over or under-estimation of significance or effect of size(s). Therefore it is important to do pretest of these assumptions for validity of their results.

Osborne, Christensen, and Gunter (2001) observed that few articles report having tested assumptions of the statistical tests they rely on for their conclusions. Testing for assumptions is beneficial since it ensures that an analysis meets the associated assumptions and helps to avoid type I and II errors (Osborne and Waters, 2014; Owino, 2014). Prior to the data analysis, assumptions for linear regression were checked together with those of multicollinearity and normality.

4.5.1 Test of Normality

Parametric statistics by definition assume that the data under test is normally distributed, hence the use of the measure of central tendency (Zikmund, 2010). A number of statistical procedures including correlation, regression, t-test and f-tests are based on the assumption that the data follows a normal distribution (Ghasemi & Zahediasl, 2012). There are several ways of testing normality such as Shapiro-Wilk, Kolmogorov-Smirnov, Lilliefors and Anderson Darling.

According to Razali and Wah (2011) Shapiro-Wilk is the most powerful normality test. This study adopted it. The findings of the tests are presented in Table below. Shapiro-Wilk test of

less than 0.05 implies that there is significant deviation of data from a normal distribution. The study's data set was subjected to a normality test and the results are shown in Table 4.3.

Table 4. 3: Tests of Normality

	Kolmogorov smirnow		Shapiro-Wilk	
	Statistics	sig	Statistics	sig
SD	0.110	0.200	0.771	0.038
SR	0.167	0.003	0.864	0.000
RMO	0.287	0.008	0.814	0.000
REP	0.129	0.004	0.910	0.000

4.6 Multicollinearity Test

Table 4.4 show that the values of tolerance were less than 1 rule and of VIF were less than 2. Thus showing lack of multicollinearity among the independent variables. Therefore omitting variables with insignificant regression coefficients would be inappropriate. Variance inflation factor (VIF) quantifies the severity of multicollinearity in an ordinary least squares regression analysis (Hakim, 2000). It provides the index which measures how much the variance (the square of the estimate's standard deviation) of an estimated regression coefficient is increased because of collinearity. Cooper (2006) stated that the lower the VIF the better while the higher the VIF it is known to affect adversely the result associated with a multiple regression

analyses. The authors argued that a VIF above 2.50 indicate relatively high level of multicollinearity.

The Variance Inflation Factor test in the regression model ranged between 1.812 and 1.701. These values were lower than the 2.5 level. As suggested by Bryman (2009) as an indicator of multicollinearity; therefore, multicollinearity was not a problem in the analysis. Thus the findings of the study was able to fulfill the threshold mainly because table 4.4 depict that the VIF of the study were all less than 2.

Table 4. 4: Multicollinearity Test

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
SR	0.689	1.812
RMO	0.776	1.712
REP	0.714	1.701

a. Dependent Variable: SD

4.7 Descriptive Statistics

4.7.1 Sources of Revenue

The study examined various source of revenue which influence delivery of services within Nairobi County. They include: rent and rates, parking fees, licenses and permits. Using a Likert scale of 1-5 where; 1= strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree. The findings are as shown in table 4.5

Table 4. 5: Sources of local revenue in Nairobi County

Sources	Mean	Standard deviation
Rent and rates	3.55	1.87
Parking fees	4.08	1.90
Licenses and permits	2.70	0.81
Average	3.44	

The findings indicated that rent and rates is one source of local revenue in Nairobi County shown by a mean of 3.55. A huge number demonstrated that income from parking expenses contributes majorly to the local revenue as uncovered by a mean of 4.08. Larger part said that licenses and permits was another wellspring of income as shown by a mean of 2.70.

4.7.2 Reforms and Modernization of Operations

The study sought to investigate the effect of reforms and modernization of operations on service delivery Using the Likert scale of 1 to 5 where; 1= strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree. The study findings are as shown in table 4.6.

Table 4. 6: Reforms and modernization of operations

Statement	Mean	Standard deviation
Implementation of automated projects have improved revenue collection in the County.	4.88	.79
There is commitment to the public on the outlined cost and quality of services	3.86	1.15
Performance contracting as a service delivery performance tool is effectively used	3.06	.86
Revenue collection has been simplified by the radical change in business processes.	4.63	1.09
Average	4.10	

Most of the respondents agreed that the Implementation of automated projects have improved revenue collection as shown by a mean of 4.88. There is commitment to the public on outlined cost and quality of services as revealed by a mean of 3.86 .Many concurred that as a service delivery performance tool, performance contracting is effectively used as shown by a

mean of 1.06. Revenue collection has been simplified by the radical change in business processes as indicated by a mean of 4.63.

4.7.3 Revenue Enhancement Plan

The study sought to examine the effect of revenue enhancement plan on service delivery while using a Likert scale of 1 to 5 where 1= strongly disagree; 2= disagree; 3= neutral; 4=agree and 5=strongly agree. The findings are as shown in Table 4.7

Table 4. 7: Revenue enhancement plan aspects

Statement	Mean	Standard deviation
Nairobi county should regularly conduct census to increase revenue collection in business permits	2.93	.81
Nairobi county should expand the markets to maximize on the revenue collected from market fees	4.23	.83
Nairobi county should expand bus parks to increase the revenue collection	3.96	.80
Expansion of game reserves and recreational facilities increases	3.93	.97

revenue collection in Nairobi county

Nairobi county should carry out accurate real estate valuation and necessary periodic revaluation to tap more revenue in land/property taxes

4.20 .73

Average	3.85	
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A large number agreed that the Nairobi County should conduct census to increase revenue collection in business permits as depicted by a mean of 2.93. Majority agreed that Nairobi County should expand the markets to maximize revenue collected from market fees as shown by a mean of 4.23. Majority also agreed that Nairobi County should expand bus parks to increase revenue collection as shown by a mean of 3.96. A large number agreed that Expansion of game reserves and recreational facilities increases revenue collection as shown by a mean of 3.93 .Lastly majority agreed that Nairobi County carries out accurate real estate valuation and the necessary periodic revaluation to tap more revenue in land/property taxes as shown by a mean of 4.20

4.7.4 Effect of Revenue Collection on Service Delivery

This study sought to determine the effect of revenue collection on service delivery Using a Likert scale of 1 to 5 where; 1- strongly disagree, 2- disagree, 3- neutral, 4- agree and 5- strongly agree. The findings are as shown in Table 4.8

Table 4. 8: Effect of revenue collection on service delivery

Statement	Mean	Standard deviation
Revenue collected by the county leads to provision of clean	4.87	.89

water and sanitation services.		
Revenue collected by the county helps in construction of quality feeder roads.	4.18	1.08
Revenue collected by the county helps in boosting quality primary education	3.07	.92
Revenue collected by the county boosts timely delivery of Health services in Nairobi County.	4.81	.68
Average	4.23	

From the findings, a large number agreed that revenue collected by the county led to provision of clean water and sanitation services as revealed by a mean of 4.87. Majority agreed that revenue collected by the county helped in construction of quality feeder roads as shown by a mean of 4.18. Respondent also agreed that revenue collected by the county helps in boosting quality primary education in Nairobi County as indicated by a mean of 3.07. Lastly majority agreed that revenue helped in extension of timely delivery of health services in Nairobi County as shown by a mean of 4.81.

4.8 Correlation analysis

The study needed to demonstrate the relationship between; the sub variables (indicators) of each of the four determinants of the service delivery, as well as the relationship with the three determinants. The coefficient of correlation (r), ascertain the degree (strength) of relationship, and its value is between -1 and 1. A value of 0 implies that there is no relationship, 1 signifies a perfect positive relationship lastly -1 means a negative relationship.

An absolute value of r between 0.5 and less than 1 indicate a strong relationship between the variables. If the value r is greater than 0.3 and less than 0.5 then the relationship is moderate. The relationship is weak if the value of r is less than 0.3. The correlation matrix show that service delivery is correlated with sources of revenue at 5 percent significance level (.418). Revenue enhancement plan is positively correlated to sources of revenue and reforms and modernization of operations at 5 percent significance level (.399) and (.441) respectively. The table also point that, there is a positive correlation between reforms and modernization of operations and sources of revenue at (.364). Finally, correlation between service delivery and revenue enhancement plan at (.137) was also positive. The findings from the descriptive statistics was confirmed by the Correlation analysis.

Table 4. 9: Correlation analysis

	Sources of Revenue	Reforms and Modernization of Operations	Revenue enhancement plan	Service delivery
Sources of Revenue	1			
Reforms and Modernization of Operations	0.364*	1		
Revenue Enhancement Plan	0.399*	0.441*	1	
Service Delivery	0.418*	0.190*	0.137*	1

*. Correlation is significant at the 0.05 level (1-tailed).

4.9 Regression Analysis

The main objective of the study was to investigate the effect of revenue collection on service

delivery by Nairobi County. To realize this objective, three specific objectives and three corresponding questions were set and formulated respectively. Subsequently, to achieve the lay down objectives and to answer the questions, the study used various inferential statistical tools and Multiple regression analyses.

Model Summary

The results in Table 4.10 indicated that source of revenue had a positive correlation with service delivery up to 62.8% or ($R = 0.628$). The results reveals that source of revenue caused a variation of 50.2% or ($R^2 = 0.502$ and adjusted $R^2 = 0.484$) on service delivery. This implies that the remaining 51.6 % of the change was caused by other factors not included in the model. (F value = 34.523, $P = 0.00 < 0.05$).

Table 4. 10: Effect of Source of Revenue on Service Delivery

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.628 ^a	0.502	0.484	0.32217

a. Predictors: (Constant), Source of Revenue mean

ANOVA

Model	Sum of Square	Means Squares	F	Sig.
Regression	5.706	0.811	34.523	.000
Residual	13.498	0.345		
Total	19.204			

a. Dependent Variables: Service Delivery

b. Predictor: (Source of Revenue)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
1	(Constant)	2.890	.769		7.168	.003
	SR	.173	.743	.628	4.215	.000

a. Dependent Variable: Service Delivery

The results in Table 4.11 indicated that reforms & modernization of operation had a positive correlation with service delivery up to 35.4% or (R= 0.354). The results reveals that reforms & modernization of operation caused a variation of 80.1% or ($R^2=0.801$ and adjusted $R^2=0.783$) on service delivery. This implies that the remaining 21.7 % of the change was caused by other factors not included in the model. (F value = 31.221, $P=0.03 < 0.05$).

Table 4. 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.354 ^a	0.801	0.783	0.21478

a. Predictors: (Constant), Reforms & Modernization of Operation _mean

ANOVA

Model	Sum of Square	Means F Squares	Sig.	
Regression	9.291	1.421	31.221	.000 ^b
Residual	1.428	0.287		
Total	10.719			

a. Dependent Variables: Reforms of Modernization of Operation

b. Predictor: (Service Delivery)

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	T	Sig.	
1						
	(Constant)	3.486	1.058	4.641	.000	
	RMO	.359	.283	.354	6.652	.003

a. Dependent Variable: Service Delivery

The results in table 4.11 showed that revenue enhancement plan had a positive correlation with service delivery of up to 36.1% or (R= 0.361). The results revealed that revenue enhancement plan caused a variation of 74.7% or ($R^2=0.747$ and adjusted $R^2 =0.728$) on service delivery. This implies that the remaining 25.3 % of the change was caused by other factors not included in the model. (F value = 42.086, $P=0.000 < 0.05$).

Table 4. 12: Revenue Enhancement Plan on Service Delivery Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.361 ^a	.747	.728	.43265

a. Predictors: (Constant), Revenue enhancement plan _mean

ANOVA^a

Model		Sum of Squares	Mean Square	F	Sig.
	Regression	8.260	7.260	42.086	.000 ^b
1	Residual	10.240	.269		
	Total	56.5			

c. Dependent Variables: Revenue enhancement plan

d. Predictor: (Service Delivery)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
	(Constant)	1.386	0.173		3.364	.000
1	Revenue enhancement plan	0.376	0.112	0.361	5.249	.000

a. Dependent Variable: Service Delivery

4.9.1 Model Summary

In order to test how well the model operates in explaining the relationship between revenue collection on service delivery, regression analysis was conducted. The findings in table 4.13, revealed that sources of revenue correlate with service delivery up to 78% ($R=0.780$) and accounts for a variation of 68.4% ($R^2 =0.684$). This implies that 31.6% of the change in service delivery was caused by other factors which were not included in the model. The findings further reveal that even if the results adjust, the model would still account for 65.6% (Adjusted R^2 , 0. 656) variation of service delivery.

Table 4. 13: Overall Effect of Revenue Collection on Service Delivery

Model	Unstandardized		Standardized		T	Sig.
	Coefficients		Coefficients			
	B	Std. Error	Beta			
(Constant)	.512	.160			3.2	0.022
Sources of revenue	.237	.541	.352		2.286	0.000
Reforms and modernization of operations	.359	.368	.240		2.335	0.002
Revenue enhancement plan	.281	.471	.411		2.720	0.000
R	0.780					
R Square	0.684					
Adjusted R Square	0.656					
F	34.974					
Sig	0.000					

a. Dependent variable: Service delivery

b. Predictors: (constant), sources of revenue, reforms and modernization of operations, revenue enhancement plan.

Régression Equation

$$Y = 0.512B + .237X_1 + .359X_2 + .281X_3 + e$$

Where

Y = Service Delivery

X₁= Source of Revenue

X₂ = Reforms & Modernization of operation

X₃= Revenue Enhancement Plan

4.9.2 Analysis of Variance

Further ANOVA tests were conducted to ascertain whether the model works in explaining the relationship among variables as described in the conceptual model. The findings from Table 4.13 show an F statistic value of 34.974 with a significance level of 0.000 which was less than the conventional probability of 0.05 significance level. Hence demonstrating the model is statistically significant. The implication is that every independent variable (source of revenue, reforms & modernization of operations, revenue enhancement plan) contributes significantly to changes in the dependent variable (service delivery).

4.9.3 Test of Research Questions

The first question of the study was; what is the influence of sources of revenue on service delivery in Nairobi County? Source of revenue has a positive relationship effect on service delivery of Nairobi County. The results on Table 4.12 revealed that p value was less than 0.05, $p=0.000$ which implies that relationship was statistically significant

The second question of the study was; what is the effect of reforms and modernization of operations on service delivery in Nairobi County? Reforms and modernization of operations has a positive relationship effect on service delivery of Nairobi County. The results in table

4.12 revealed that p value was less than 0.05, $\rho=0.003$ which implies that relationship was statistically significant

The third question was what is the effect of revenue enhancement plan on service delivery in Nairobi County? Revenue enhancement plan has a positive relationship effect on service delivery in Nairobi County. The results in table 4.12 revealed that p value was less than 0.05, $\rho=0.000$ which implies that relationship was statistically significant

4.10 Discussion of the Findings

The discussion of results of various tests carried out in the study will be discussed per variable.

4.10.1 Effect of Source of Revenue on Service Delivery

The first objective of the study was to determine the influence of sources of revenue on service delivery in Nairobi County. From the findings of the study it is evident that source of revenue was statistically significant at a p value of 0.000, which is less than 0.05 the conventional probability significance level, $p= 0.00 < 0.05$. Bhatnagar (2014) did a study on the effect of Information technology on service delivery in Rwanda which found out that ICT has a significant effect on service delivery. The result concurred with Odoyo et al, (2013), who conducted a study on the effect of source of revenue on Revenue Collection in Homa Bay County and found out that ICT investment is vital to Local Authorities in enhancing revenue collection.

4.10.2 Effect of Reforms & Modernization of Operation on Service Delivery

The second objective of the study was to determine the effect of reforms and modernization of operations on service delivery in Nairobi County. The study findings pointed out that

reforms & modernization of operation was statistically significant at a p value of 0.03, which is less than 0.05 the conventional probability significance level, $p = 0.03 < 0.05$. The findings concurred with Chatama (2013) who did a study to examine the effect of modernized Tax operation on service delivery, focusing on Tanzania. Similar findings revealed by Mwambingu (2002) examined the influence of change on service delivery by KRA and found that change that had the greatest influence on service delivery by the Authority.

4.10.3 Effect of Revenue Enhancement Plan on Service Delivery

The last objective of the study was to determine the effect of revenue enhancement plan on service delivery in Nairobi County. From the findings of the study they pointed out that revenue enhancement plan was statistically significant at a p value of 0.000, which is less than 0.05 the conventional probability significance level, $p = 0.00 < 0.05$. The result concurred with Ling and Nawawi (2010) who conducted a study in Malaysia on revenue enhancement plan and service delivery and found out there were statistically significant. Similar findings by Odoyo (2005) examined how revenue enhancement affect service delivery in Rift valley, the results had positive relationship.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the study in a summary form and makes conclusions based on the results. The recommendations from the findings and areas for further research are also presented.

5.2 Summary of the Study

The overall objective of this study was to investigate the effect of revenue collection on service delivery in Nairobi County. In particular the study sought to determine the influence of source of revenue, reforms & modernization of operation, revenue enhancement plan on service delivery

5.2.1 Effect of Source Revenue on Service Delivery

The first objective was to determine the effect of source of revenue on service delivery. Correlation analysis showed that source of revenue and service delivery are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship.

5.2.2 Effect of Reforms & Modernization of Operation on Service Delivery

The first objective was to determine the effect of reforms & modernization of operation on service delivery. Correlation analysis showed that reforms & modernization of operation and service delivery are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship.

5.2.3 Effect of Revenue Enhancement Plan on Service Delivery

The first objective was to determine the effect of revenue enhancement plan on service delivery. Correlation analysis showed that revenue enhancement plan and service delivery are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship.

5.3 Conclusions

5.3.1 Sources of revenue

The study concluded that the various sources of revenue in Nairobi County include rent and rates, parking fees, licenses and permits. There was regular business census to increase revenue in business permits and expansion of markets to tap more market fees.

5.3.2 Reforms and modernization of operations

The findings led to conclusion automation projects have led to increased revenue collection. Reforms and modernization projects improved the county's commitment to its customers on the outlined quality, cost and timely standards were being met. The county employs performance contracting as a service delivery performance tool and is used effectively.

5.3.3 Revenue enhancement plan

Expansion of bus parks increases revenue collection and expansion of game reserves and recreational facilities also increases revenue collection. The county should carry out accurate real estate valuation and the necessary periodic revaluation to tap more revenue in land/property taxes.

5.3.4 Service delivery

Finally, it can be concluded that local revenue collected led to provision of water and sanitation services. The local revenue collected helped in construction of quality roads and

that local revenue collected helps in providing quality primary education in Nairobi County. Local revenue helped in extension and timely delivery of Health services in Nairobi County.

5.4 Recommendations

The management of Nairobi County should seal loop holes that make them lose tax they collect from various sources. This can be done by enhancing accountability in their systems. The Nairobi County management should hold workshops for the county tax collectors to teach them on reforms and modernization of operations in tax collection.

Sensitizing the entire community; the entire masses should be sensitized about the benefit of paying taxes. For example they should be enlightened that their contribution in form of taxes leads to effective service delivery. Furthermore, enforcement teams should check businesses that have failed to pay taxes and penalize them accordingly.

The study also recommends mobilization of politicians not to interfere in revenue collection; the politicians should draw a clear line between their role and that of the tax authorities. They should be called upon to be professional in the approach as well as ethical for the proper running of the county affairs. For example, they should not be a safe haven for tax defaulters.

5.5 Suggestion for Further Research

Further study should be done on the effect of revenue collection on service delivery in other counties since this study focused only on Nairobi County. Research should be done on the effect of perception of tax payers on revenue collection in Nairobi County.

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APPENDICES

APPENDIX I: LETTER TO THE RESPONDENTS

7th February, 2019.

Gladys Chumba

P.O. Box 105- 00200

Nakuru, Kenya.

Dear Respondent,

RE: DATA COLLECTION

I am a student at the Kenya School of Revenue Administration, currently doing a research study on the “Effect of revenue collection on service delivery: a case study of Nairobi County” to fulfill the requirements for the award of the post graduate Diploma in Tax Administration.

You have been chosen to take part in this research and I would profoundly acknowledge if you helped me by reacting to all inquiries accurately and really as could reasonably be expected. Your reaction will be treated with most extreme privacy and will be utilized distinctly for research purpose only.

Yours faithfully,

Gladys J. Chumba

HDB336-C016-2437/16

APPENDIX II: QUESTIONNAIRE

My name is Gladys Chumba and I am a final year student at Kenya School of Revenue Administration pursuing post graduate diploma in Tax administration, and undertaking a research entitled “Effect of revenue collection on service delivery: a case study of Nairobi County”. It is in this regard that I humbly request for your participation in filling this questionnaire. Thank you in advance.

Instructions

This questionnaire consists of two parts; kindly answer all the questions by ticking in the appropriate box or filling in the spaces provided.

PART A: BACKGROUND INFORMATION

(Tick where Appropriate)

1. Age

a) 10 – 30 years b) 31 – 40 years c) 41 – 50 years d) 51 – 60 years

2. Your highest level of education

a) Primary b) Certificate c) Diploma d) Degree e) other

PART B: SOURCES OF REVENUE

3. Indicate the extent to which you agree or disagree with the following statements in regard to sources of revenue in Nairobi County. (Using the Likert scale of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree. Please tick appropriately

Statement	strongly disagree	disagree	neutral	agree	strongly agree
Nairobi county government generates revenue from Rents and Rates to deliver services within the county.					
The county government utilizes the revenue collected from parking fees for delivery of services within the county.					
County government generates revenue from Licenses and permits for delivery of services within the county.					

PART C. REFORMS AND MODERNIZATION OF OPERATIONS

4 Indicate the extent to which you agree or disagree with the following statements in regard to reforms and modernization of operations in Nairobi County. ((Using the Likert scale of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree.)

Please tick appropriately

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Business automation Implementation of automation projects has improved revenue collection.					
Service Charter Implementation Nairobi county’s commitment to the public on outlined quality, cost and timeline standards are being met					
Performance contracting Nairobi county employs performance contracting as a service delivery performance tool and is used effectively.					
Business process re-engineering The radical change in business process has been used to eliminate redundant processes					

and has simplified service delivery					
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PART D. REVENUE ENHANCEMENT PLAN

5 Indicate the extent to which you agree or disagree with the following statements in regard to revenue enhancement plan in Nairobi County. (Using the Likert scale of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree.) Please tick appropriately

statement	strongly disagree	disagree	neutral	agree	Strongly agree
Nairobi county should conduct regular business census to increase revenue collection from business permits					
Nairobi county should expand markets to increase revenue collected from market fees.					
Nairobi county should expand bus parks to increase revenue collection					
Expansion of game reserves and recreational facilities increases revenue collection					
Nairobi county should carry out accurate real estate valuation and the necessary periodic revaluation to tap more revenue in land/property					

taxes					
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PART E: EFFECT OF COUNTY REVENUE COLLECTION ON SERVICE DELIVERY.

6 Indicate the extent to which you agree or disagree with the following statements in regard to revenue enhancement plan in Nairobi County. (Using the Likert scale of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree.) Please tick appropriately.

Statement	strongly disagree	disagree	neutral	agree	strongly agree
Tax collection at local level enhances the provision of water and sanitation services.					
Local revenue accumulated assists in construction of quality roads.					
The collected revenue assists in providing quality primary education in the County.					
Local revenue aids in offering timely services in the Health sector.					

