

**FACTORS INFLUENCING REVENUE COLLECTION BY KENYA REVENUE  
AUTHORITY IN MOMBASA COUNTY**

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF  
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THE JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND  
TECHNOGY**

**OCTOBER, 2020**

**DECLARATION**

This research project is my original work and has not been presented for any award in any other academic or non-academic institution.

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**HDB336-C016-1758/2018**

This research project has been submitted for examination with my approval as the supervisor.

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## **DEDICATION**

This research proposal is dedicated to my family and late parents Mr. Bonface Adhiambo and Regina Anyango.

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## **LIST OF ACRONYMS/ ABBREVIATIONS**

<b>EGMS:</b>	Excisable Goods Management System
<b>GDP:</b>	Gross Domestic Product
<b>EAC:</b>	East African Community
<b>FY:</b>	Financial Year
<b>ICMS:</b>	Integrated Customs Management System
<b>ICS:</b>	Internal Control Systems
<b>ICT:</b>	Information Communication Technology.
<b>IT:</b>	Information Technology
<b>KES:</b>	Kenya Shillings
<b>KESRA:</b>	Kenya School of Revenue Administration
<b>KRA:</b>	Kenya Revenue Authority
<b>M-Pesa:</b>	Mobile money transfer.
<b>OECD:</b>	Organization for Economic Co-operation and Development.
<b>PAYE:</b>	Pay as you earn
<b>SMEs:</b>	Small and Medium Enterprises.
<b>SPSS:</b>	Statistical Packages for Social Sciences
<b>VAT:</b>	Value Added Tax
<b>VIF:</b>	Variance Inflation Factor

## DEFINITION OF TERMS

**Information Communication Technology** Refers to technologies that offer easy access to information through telecommunications. (Diebold, 2015).

**Non-compliance** Failure to file returns, report the correct income, calculate deductions properly as well as pay correctly and on time (Allink and Kommer, 2015).

**Revenue Collection** Refers to gathering of various government incomes from different sources. Sources of tax revenue include: income tax, PAYE, VAT, import duty, excise duty and other sources for payment of public or social goods provided by the government (Gituma, 2017).

**Tax Compliance** The timely filling and reporting of required tax information, the correct taxes owed, and timely payment of those taxes without enforcement action (Allink and Kommer, 2015).

## ABSTRACT

Revenue collection is an important role of the government. KRA being the agent for revenue collection plays the key role of administering the various laws relating to tax. There has been a recorded increase in revenue growth over the years. For instance, the exchequer revenue collected by Kenya Revenue Authority has grown from KES 759.511 billion in the 2012/13 financial year to KES 1.474 trillion in the 2018/19 financial year. This represents a percentage growth of 94.16%. However, Kenya Revenue Authority still faces challenges in meeting the set revenue targets. This calls for the need to look at the factors which influence the revenue growth. The objective of this study was to establish factors influencing revenue collection by the Kenya Revenue Authority in Mombasa County. These included; technology, economic and internal control factors. Three theories were explored in the research; Ability to Pay Theory, Agency Theory and the Rational Expectations Theory of Technology Adoption. The target population was 588 Kenya Revenue Authority Domestic Taxes Department staff based at the Southern Region headquarters, Mombasa. From the population, a sample size of 85 staff was identified through an adoption of the Slovin's Formula. The researcher employed a descriptive research design and the instruments for data collection were questionnaires. Data was analyzed using SPSS v25 and Microsoft office while Regression analysis, Correlation, descriptive statistics, were used to present the data results and findings. To test the validity of the research instruments, a pilot study were conducted by administering nine questionnaires. The study findings showed that there is a positive and statistically significant relationship between technology, economic factors and internal controls on revenue collection. In conclusion, the study established that technology, economic factors and internal controls indeed influences revenue collection by the Kenya Revenue Authority in Mombasa County. Based on the findings of the study, the researcher recommends, financial resources should be set aside and doubled in the ICT department in order to increase the integration and implementation of ICT projects in KRA. Further it recommended that an effective and operational internal control system to ensure greater control of the revenue collected by KRA and continuous improvement through implementation of suggestions and recommendations from the internal audit report. There is need to conduct further research that would investigate interaction of other variables that may influence revenue collection by KRA like staff competence working environment, among others. A replication of these study should be carried out but these time using a larger sample, more time should be allocated to the same and a combination of more than one of data collecting instrument should be used like interview and focus group discussions these will help to counter check the information provided.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Revenue collection refers to the collection of various taxes by the government. Various revenue streams of the government include taxes, fees, trade licenses, and fines among others. The government taxes the citizens to enable it survive and achieve on its mandate. The government collect taxes to provide services that are not provided by the private sector. Revenue from taxation is utilized in service delivery and also to enable effective and smooth running of various operations it undertakes (Akran, 2015). In the world, some of the countries that are seen as having high Tax to GDP ratios and high rates of economic growth include Belgium at 44.9% and in Africa South Africa at 28.4% is considered to be performing well (Thuo, 2013). Kenya's Tax to GDP was 18.2% in 2017. The country therefore desires to intensify its tax collection and expand tax to GDP ratio. The state should therefore exploit the necessary avenues that it can use to ensure continued economic growth that will in turn help spur tax collection.

Many governments have set up tax system reforms worldwide, frequently with the intention of reforming various tax systems into something more economical and liberal. The reforms were aimed at efficiency and reduced cost of compliance, corruption still remains a major hindrance to revenue collection efficiency in many countries (Olumbe, 2014). The most comprehensive tax reforms began back in the 1980s which saw states change tax legislations and administration of taxes into a more friendlier and easier to manage system. Henry George an American economist is the father of global tax reforms back in the 19<sup>th</sup> century when he started the global movement for tax reform aimed at abolishing all systems of taxation apart from the solitary tax on value of land. A study by Aghion (2016) in the USA suggests that the efficiency in which the collected tax can be utilized in the development of a country is highly linked with political goodwill. It is an important factor in compliance levels since there will be taxpayers apathy to pay taxes if they feel their taxes will not be put into good use.

Revenue from taxes to gross domestic product ratios in Asia and Latin America increased from the year 2000, but was still lower compared to European regions. Major tax reforms have been made throughout the world especially to enhance administration and compliance which act as locus for different states. The main methods have been

developed by the European Commission, and jointly by the International Finance Corporation, Price Waterhouse Coopers, World Bank, International Monetary Fund and OECD's Centre for Tax Policy and Administration for the Forum on Tax Administration (Rile, 2014).

For effective tax collection, the compliance levels need to be closely monitored. The compliance costs associated with no-compliance are expensive and can include investigation, prosecution, administrative and distress costs among others. Non-compliance is coupled with tax evasion and fraudulent activities which pose a threat to revenue growths. It is estimated that governments across the world lost 5.1% of their Gross Domestic Product in 2011. In Europe tax avoidance constitutes around 8% of the GDP of economies in the area. In South and North America, tax evasion costs economies 2% and 10 percent of GDP separately. Tax evasion is therefore a global problem and needs adequate internal controls to address (Das, 2014).

In the USA for example, after the government's realization of the greater number of immigrants who were repatriating huge sums of money to their country without having them taxed, the government introduced an integrated tax management information system that was being implemented at all the states and local authorities of this most developed continent in the world Owuor (2015). In the years 1986 to 2001, the USA government was on toes towards investing up to 54% of its income in ICT for education, health, security, food production and control of uncounted for funds. This for example led to the country being rated as one of the most advanced technological economy in 1995 to 2001 compared to other G8 countries.

However, a study found out that unlike China, USA and India have been faced by up to 37% challenges while implementing their ICT projects in managing their revenue systems (Gautier & Lalliard, 2017). In India for example, between the years 2003 and 2009 factors like deficiency of ICT experts, limited ICT budgets allocations, poor innovations, high cost of imported technology, poor projects planning and management strategies, political rivalries, cultural differences and views, poor ICT infrastructure and many more for a long time hindered fully the adoption of ICT for taxation process. In the USA, factors like poor tendering processes of ICT, poor perceptions about imported ICT especially that from China, global markets rivalry, terrorism, criminal acts like hacking

and many more have for a long time up to present influenced the implementation of ICT projects in their integrated tax systems (Aghion, 2016).

Political uncertainty in Pakistan was one of the focal causes for poorer tax revenues (Amin & Anwar, 2014). Throughout the phase of governmental unsteadiness, neither administrative experts reflected for its community nor do they have any apprehension about the growth of their nation, eventually it experienced the difficult of poorer tax collection. Improving tax revenue could be achieved if suitable chapters taken in the course of political stability which is probable if aggregate volume of tax revenue would be averted from the dishonest state books. Elimination of trade constraints, increasing per capita income and reducing inflation are also the key aspects that enhance tax revenue. Trade ingenuousness eradicates quantifiable borders from goods and services which eventually increase tax revenue. An open economy increases its tax revenue since the economy with enormous global trade well established and organized.

Gidisu (2015), found that there was observed reduced cost of administration due to automation of revenue collection system. Ajabe, Alfaro & Uthman, (2017) on their work on the impact of computerization of government revenue collection of Nigeria. They found out that automation made it easy for revenue diversification and this led to better economic development thereby improving the lives of its citizens. Diversification can however be derailed by inadequate technology, manpower and equipment. While Wahab (2015), in his study conducted in Ghana found that several factors lead to failures in revenue collections. These factors include poor planning, lack of senior management support, improper technological support, resource misuse and inadequate controls. These are some factors that need to be looked into for revenue enhancement. Therefore, governments should work to match its revenue performance with needs and the desired expectations of its people by increasing its fiscal depth without necessarily incurring costly collection costs (Tetteh, 2015).

According to the Uganda Revenue Authority (2013), on their research carried out on a comparative study of selected EAC countries that include Kenya, Uganda, Tanzania, Rwanda and Burundi, and South Africa found out that countries with higher informal sectors have a lower tax to GDP ratio as compared to counties with a lower informal sectors. This is attributed to the fact that the informal sectors are usually not subjected to various forms of taxes like VAT, PAYE or collect taxes through the various means like

the withholding income approach. Furthermore, the study found out that the tax to GDP ratio is affected by other major factors which include tax policy regime, technological inclusion, effectiveness of tax administration and the economic structure in general. Olumbe (2014), opined that revenue collection is affected by compliance level and other factors like, ineffective planning, an inefficient system of monitoring, evaluation and controlling misuse of resources and the revenues, limited team participation in the execution of revenue decisions, lack of customer commitment, and inadequate management information systems.

Revenue collection in emerging nations like Kenya have not continuously stood as operational as it ought to be. There are numerous difficulties in revenue collection performance, where nations are unable to amass adequate capitals to shield their financial plan expectations and in so doing trigger massive native tax collection openings. Nyaga and Omwenga (2016) specify that the leading complications in revenue collection alternate about the tax collection systems. Since unindustrialized nations are evolving from the predicament with their economic forecasts largely unharmed, several are still experiencing essential requirement to increase revenue from their peculiar tax bases. Development of tax collection competence will guarantee nations collect all the anticipated tax thus improve their revenue collection performance. In addition, for a state to match its performance with the desires and anticipations of its populaces, it should upsurge its fiscal capacities minus suffering costly recurrent expenditures (Olumbe, 2014). For irreproachable authority and operative provision of amenities, the state necessitate adequate and dependable sources of revenue and the Constitution of Kenya 2010 affords a structure for the nation's finance over and done with its peculiar revenue.

The Kenya Revenue Authority was established by an Act of Parliament, Chapter 469 of the laws of Kenya charged with responsibility of collecting revenue on behalf of the Government of Kenya. It collects a number of taxes and duties, including: value added tax, income tax and customs. Since KRA's inception, revenue collection has increased dramatically, enabling the government to provide much needed services to its citizenry like free primary education and Health Services to all. The vision of KRA is to be a globally trusted revenue agency facilitating tax and customs compliance so as to maximize tax revenue to ensure the government can sustain itself from internal revenue sources. Its mission Statement is to promote compliance with Kenya's tax, trade, and border legislation and regulation by promoting the standards set out in the Taxpayers

Charter and responsible enforcement by highly motivated and professional staff thereby maximizing revenue collection at the least possible cost for the socio-economic well-being of Kenyans.

KRA plays an integral part in the economy as it administers and enforces various statutes pertaining to assessment, collection and accounting for the collected taxes under these laws (Nyaga & Omwenga, 2016). Moreover, KRA offers advisory on taxes to treasury on issues aimed at strengthening taxation, enhancing compliance and improving international relations like mutual legal assistance on tax. The role of KRA also cuts across to border security, trade facilitation and taxpayer education.

KRA within Mombasa County has two tax stations; Mombasa North and South with major taxpayers within the county and provides a major revenue stream in the region. Both station's revenue enhancement is therefore key for the region in meeting its revenue targets. It has been noted that frauds which are more often attributed to poor internal controls can also be carried out by those tasked with collecting revenue (Simiyu, 2013). Further, the study highlighted that adoption of technology in revenue collection automation without the additional improvement of basic institutional factors and inability to utilize the technology by the taxpayers and staff is itself a limitation to revenue collection. The technology should be accompanied with adequate infrastructural support to minimize instances like internet down times and machine breakdowns without immediate replacements. It would be important to understand such factors which could be unique to the taxpayers in the station and KRA in realization of revenue growth.

## **1.2 Statement of the Problem**

KRA has over the years posted revenue growths but has still fallen short of the set revenue targets. For instance, secondary data from the authority indicates that it collected KES 1.580 Trillion for the 2018/2019 financial year (FY) against the revised target of KES 1.643 trillion. The revenue growth versus the set targets has been a challenging issue to the government and KRA in particular. Furthermore, another important indicator of revenue performance, that is, Tax to GDP ratio has been below the average for OECD countries (OECD, 2019). In 2017, Kenya's Tax to GDP ratio was 18.2 percent against the OECD's average of 34.2 percent. It was however higher than Africa's average of 17.2

percent. The country's ratio was a drop of 0.1% from 18.3% that was registered in 2016. Tax to GDP ratio is a measure of a nation's tax revenue relative to gross domestic product (GDP), which is the size of its economy.

According to a research by the Uganda Revenue Authority (2013), on their research that was carried on a comparative study of selected EAC countries and South Africa countries found out that countries with higher informal sectors have a lower tax to GDP ratio as compared to a country with a lower informal sectors. Furthermore, the study found out that the tax to GDP ratio is affected by three major factors which include tax policy regime, technological inclusion, effectiveness of tax administration and the economic structure in general.

KRA has in the recent past tried to widen the tax base with a view of increasing revenue. A typical example is the introduction of excise duty on financial services including mobile transfer fees on M-PESA in FY 2013/14. Ndung'u (2017) argues that poorly designed tax policy or any poorly designed policy will result to poor outcomes. In addition, once the optimal tax rate is reached, a further increase in the excise tax rate generates less and less tax revenue and alteration in the market.

The authority therefore needs to cultivate various ways that can improve the tax to GDP ratio and meet the set revenue targets thereby increasing revenue collection. It has already embarked on this journey as captured in its 2018/21 KRA strategic plan which seeks to raise the tax to GDP ratio to 19.2. Moreover, it needs to seal various revenue loopholes or leakages, embrace technology, taxpayer education among other initiatives. With adequate revenue, the country will be able to achieve on the development agendas like the Vision 2030.

### **1.3 Objective of the Study**

This study was guided by one general objective broken down into three specific objectives.

#### **1.3.1 General Objective**

The general objective of the study was to establish factors influencing revenue collection by the Kenya Revenue Authority in Mombasa County.

### **1.3.2 Specific objectives**

- i. To find out the influence of technology on revenue collection by the Kenya Revenue Authority in Mombasa County.
- ii. To investigate the influence of economic factors on revenue collection by the Kenya Revenue Authority in Mombasa County.
- iii. To examine the influence of internal controls on revenue collection by the Kenya Revenue Authority in Mombasa County.

### **1.4 Research Questions**

- i. How does technology influence revenue collection by the Kenya Revenue Authority in Mombasa County?
- ii. What are the effects of economic factors on revenue collection by the Kenya Revenue Authority in Mombasa County?
- iii. What are the effects of internal controls on revenue collection by the Kenya Revenue Authority in Mombasa County?

### **1.5 Significance of the Study**

The study will assist policy makers like The National Treasury in identifying areas which are able to absorb increased taxes, that could be taxed more and changes which could be made to spur revenue increases. This will ensure that the country has sufficient revenue for its development and recurrent expenditures and that public borrowing is effectively managed. Government revenue is the main source of funding for various projects which are in line with the vision 2030. The research is also aimed at providing information to KRA that will assist in identifying areas for improvement in their pursuit of growing revenue. Moreover, it will be of help in optimal utilization of resources at their disposal. KRA can also utilize the information to seal revenue leakages which has proven to be a hindrance to revenue growth and continue to leverage on Information Technology. Any gaps that could derail tax collection can be identified and mitigation measures put in place. Finally, the findings of this study will help other academicians and future researchers who may wish to carry out more studies in the field. The study will build scholarly knowledge in the areas of factors influencing revenue growth.

### **1.6 Scope of the Study**

The study targets KRA Domestic Taxes department staff within Mombasa County. Mombasa County was chosen because it is the main contributor to KRA taxes revenue in

the Southern region. KRA staff have been selected since they were able to critically identify the issues raised. In this study, target population was the KRA staff based at the Mombasa Customs House. The study was conducted between January and September 2020.

### **1.7 Limitations of the Study**

The researcher faced challenges in trying to get the attention and secure the valuable time of the identified respondents. To help mitigate this challenge, the researcher explained to the respondents the importance of their feedback to the research and what extent the outcome could be of help to them.

Due to corona outbreak, some participants feared being involved in data collection as they were afraid of the spread of the virus. To mitigate this, the researcher ensured that ministry of health guidelines were adhered to including wearing of face masks, sanitizing and keeping a safe distance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter explores literature that is related to the study. This chapter discusses the theoretical literature, conceptual framework, empirical review, research gaps and summary of literature.

#### **2.2 Theoretical Review**

Theoretical framework section defines theories used to support the study; Factors Influencing Revenue Collection by the Kenya Revenue Authority in Mombasa County. Variables forming the research are anchored on the theories.

##### **2.2.1 Rational Expectations Theory of Technology Adoption**

The theory argues that for the maximization of technology, there is need for the existence of motivation of various users or beneficiaries with information on how the technology will address their views or challenges (Kirimi, 2015). The theory further states that technology adoption decisions are majorly based on a firm's cost benefit analysis it has carried out. According to Liguyani and Nzulwa (2016), various organizations have adopted ICT in a number of their operations. Such operations include financial planning, procurement, sales and purchases, staff hiring, internal controls, stakeholders' engagements among others.

IT adoption decision-makers will observe the environment and try to align their expectations with those of other decision makers before deciding to adopt. This alignment is necessary to help shape each decision maker's expectations about the value, due to uncertainty about externality value. In their effort to align their expectations, decision makers benchmark against each other and share information within a targeted group. In the case of the adoption process of a new technology, however, it may not be easy for firms in the sub-group to all come to the same conclusions about value, due to the uncertain value flows associated with the network externalities inherent in the new technology. Through this benchmarking process, the sub-group firms will learn from each other, by sharing information about their perceptions of the expected value of the technology. Although it may seem insignificant as Njagi (2018) suggests that repeated interaction among firms makes cheap talk credible, improving the efficiency in outcomes that may be otherwise infeasible.

This theory is relevant to the study since KRA has leveraged on technology with an aim of achieving objectives such as; reduce compliance cost, enhance trade facilitation, increase tax base, tighten internal controls and increase taxpayer recruitment. Currently, KRA uses a number of systems to collect and enforce tax and customs laws. These systems include iTax, Simba system, Electronic Tax Register (ETR), VAT auto assessments, Regional Cargo Tracking Systems (RECTS), the scanner system among others. Currently, it is developing the integrated customs management system (ICMS). Adoption of ICT has seen KRA collect most of its taxes through automation process. All these technological implementation are aimed at improving tax collection efficiency consequently increasing revenue collection by KRA.

### **2.2.2 Ability to Pay Theory**

It maintains that the taxes should be levied on a tax payer's ability to pay (Ebimobowei, 2016). The principle borrows from the progressive taxation principle which states there should be increased individual's tax liability with an increase in incomes, that is, one should pay taxes according with ability to pay. In Kenya, taxes like PAYE follows the theory since individuals with higher salaries pay more than the individuals with lower salaries. Such taxation ensures justice and equity. However, there are still some challenges when trying to actualize the theory. The challenge arises with the interpretation of ability to pay. Simiyu (2013), the theory suggests that payments of taxes is compulsory to the state.

As a result, various interpretations have been fronted in connection with the ability to pay which are as follow: Property ownership has been perceived as a source of wealth and thus ability to pay. However, instances arise whereby the property owner earns huge incomes but does not spend it on new purchases, he is unlikely to pay any taxes related to property purchase like stamp duty. Similarly, the earnings on property are subjected to taxation like rental incomes. It is also worthy to note that capital gains from property sales had been exempted from taxation until it was recently introduced. This raised the issues of equity in payment of taxes. Another ability to aspect is the Tax on Consumption and Expenditure: Arguments have brought forward by some economist that taxes should be levied on one's expenditure or consumption. Taxes levied on consumption like VAT and excise duty tend to be on individual's expenditure and not necessarily ability to pay. These taxes to be proportional or flat and not determined by ability to pay. Therefore,

taxation based on consumption could overburden a taxpayer who incurs expenses just to meet daily needs (Odongo, 2016).

This theory is relevant to the study since the ability to pay is affected by prevailing economic factors and conditions in the country. A country with a higher GDP will experience a better economic growth consequently its populace has the ability to pay tax as compared to a country with a lower GDP. Likewise, economic growth will stimulate government projects which will generate employment opportunities to the household who will thus have the ability to pay tax. Indirect taxes such as VAT and excise duty normally cause the inflation rate to go higher affecting the households' ability to pay. It makes taxpayers to look for ways to dodge the tax system so that they can avoid payment of tax so as to reduce their cost of living (Njagi, 2018).

### **2.2.3 Agency Theory**

Agency refers to the agreement or association between two parties, one being the principal and his agent. The agent acts on behalf of the principal on the assigned roles. KRA is for instance, an agent of the treasury in revenue collection and administers various laws to achieve its mandate. The relationship is further between KRA and the employees who help it achieve its revenue collection objectives. The agents should at all-time act in the principal's interests and not further their own agenda which could disadvantage the principal or cause him any form of loss. However, the relationship implies that there exist contracts in between economic resources with owners being the principals and organization leadership being the agents tasked with management of the entity's wealth (Njagi, 2018).

According to Kenyon & Tilton (2014), in the agency relationship, the agents, due to their day to day operations and running of an entity could have considerable knowledge and influence over the principals. To avoid any abuse and unethical behaviour which could arise, it is important to have a contract between the parties. Moreover, the principal should monitor the progress through checks and balances instituted through various internal control systems. The ICS is therefore an important tool which can be utilized to address the agency relationship challenges. This leads to good harmony between the parties, reduction of unnecessary agency costs and other damages which could arise due to poor agency relationship.

This theory is relevant to this study since in an effort for KRA to exercise its agency relationship, they have to implement strong internal controls such that the interest of the principal is protected. Strong internal controls brings confidence to the principal which is the government who will also have the confidence in KRA that their taxes are not misappropriated at the collection level. For KRA to deliver on its agency role, it should put in measures there should be controls and safeguards to protect it operations. They include internal audit function and departmentalization which checks that the controls and procedures are observed. Procedures, rules and use of ICT are some of the tools that can be employed in safeguarding the agent principal relationship thereby improving revenue collection (Leictich, 2013).

### 2.3 Conceptual Framework

The conceptual framework shows diagrammatical linkage between the dependent and independent variables under study (Gituma, 2017). The dependent variable being revenue collection and independent variables; technology, economic factors and internal controls. This study conceptualizes that the revenue collection could be affected by Technology, Economic Factors and Internal Controls. This study tests the conceptual framework presented in the table below.

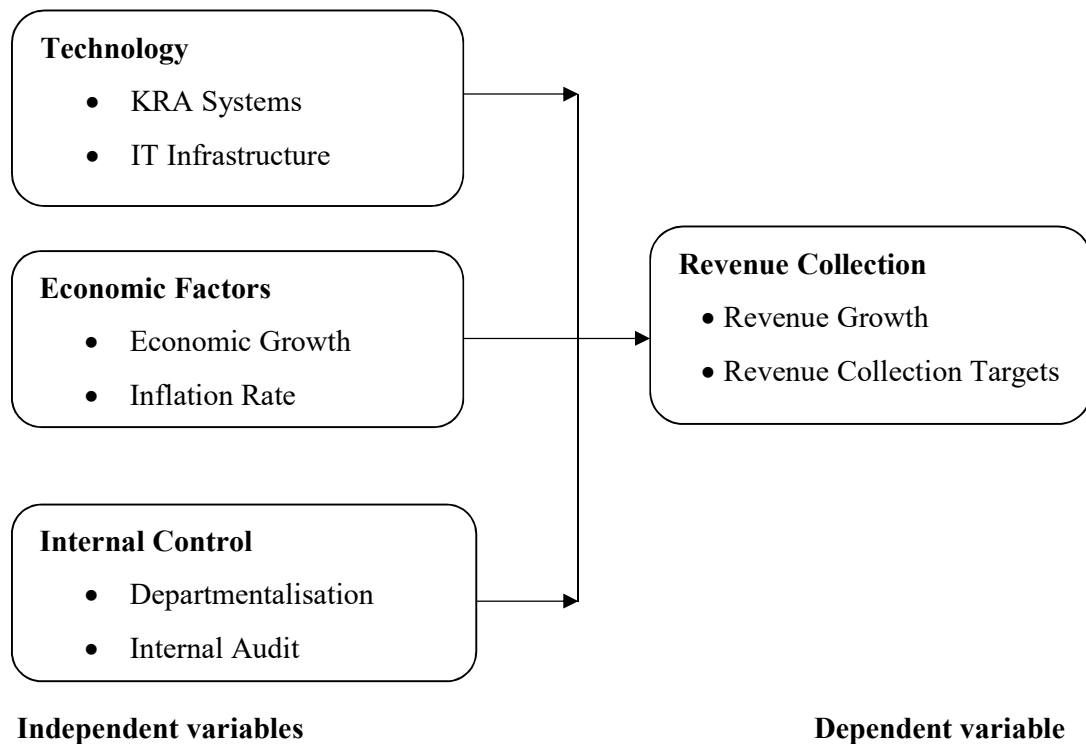


Figure 2.1: Conceptual Framework

## **2.4 Review of Variables**

The various variables that influence revenue collection by Kenya Revenue Authority are discussed below.

### **2.4.1 Technology**

Technology includes but not limited to methods, structures, and tactics which are initiated and determined by scientific discovery that are used for everyday purposes to supplement human capabilities (James 2015). The swift surge of technology development and the emergence of the digital world has shaped new operational modes across the industrial divide creating new opportunities and challenging the present boundaries. KRA has not lagged behind in the employment of technology in tax administrations thus streamlined operations to broaden the tax base and reduce tax evasion subsequently improving revenue collection. The importance of adoption of ICT can also be observed in the availability of data to enable analysis and the impact it has on the reduced cases of fraud (April 2013). According to the 2018/21 KRA strategic plan, KRA will leverage on ICT to enhance revenue collection. ICT will impact revenue due to growing digitization of the economy, use of data analytics to boost compliance and put up measures to counter cyber threats which are detrimental to revenue collection.

As part of its plans to improve service delivery and promote tax compliance, the KRA, as a whole, is constantly implementing programs that use technology to reduce tax efficiency (Njagi, 2018). These programs contain; An Integrated Tax Management System (i-Tax) that allows taxpayers to change their tax registration details, return tax files, register tax returns and perform status updates with real-time monitoring of their books account. The Integrated Customs Management System (ICMS) has been set up to replace the Simba System and will balance traditional computer systems and physical processes. The Regional Electronic Cargo Tracking System (RECTS) is a system that accelerates the final delivery of cargo, improve cargo security and accelerate the movement of goods in the Northern Corridor (KRA, 2019). Other systems used include the Excisable Goods Management System, the electronic tax register and the Cargo Scanner Management Solution, as a smart tool in raising revenue by reducing operating costs and increasing efficiency.

IT infrastructure refers to the composite hardware, software, network resources and services required for the existence, operation and management of an enterprise IT

environment (Kiarie, 2018). It allows an organization to deliver ICT solutions and services to its employees, partners and customers and is usually internal to an organization, deployed within owned facilities. The components of IT infrastructure includes: Switching which is a device that provides connectivity between network devices on a Local Area Network. Routers which move packets between networks. Firewalls which are security devices at the edge of the network. Server which is simply another computer that allows multiple users to access and share its resources. The physical plant which is all of the network cabling in the office buildings and server room/data center. People who are competent, well-qualified in charge of running and maintaining the infrastructure. Server rooms / data center which is the location in which you place all of your servers, and it usually acts as the center of most networks.

#### **2.4.2 Economic Factors**

Economic Factors are the factors that affect the economy and include tax rate, exchange rate, inflation, labor, demand/ supply, wages, law and policies, governmental activity and recession (Simiyu, 2013). These factors are not in direct relation with the business but it influences the investment value in the future. The economic indicators like GDP has a considerable influence on revenue growth and size of the economy. According to the 2018/21 KRA strategic plan, the current revenue to GDP ratio is 18.3%. The objective of KRA is to raise it to 19.2%. This will help the country in reducing annual net lending. However, for such to happen, the economy should be performing well such that the annual GDP growth is enough to sustain the expected revenue targets. In Kenya, the SMEs have identified as the area that is likely to engineer development in the country. They are estimated to represent 34% of total businesses and are responsible for 77% of the jobs in Kenya (Gachiku, 2015).

Growth of the economy an upward projection in the production of economic goods and services, compared from one period of time to another (Rile, 2014). In economics, growth is commonly modeled as a function of physical capital, human capital, labor force, and technology. Simply put, increasing the quantity or quality of the working age population, the tools that they have to work with, and the recipes that they have available to combine labor, capital, and raw materials, will lead to increased economic output. It can be measured in nominal or real (adjusted for inflation) terms. Increases in capital goods, labor force, technology, and human capital can all contribute to economic growth.

Economic growth is commonly measured in terms of the increase in aggregated market value of new goods, services resulting to increased revenue and taxation (Ngotho, 2014).

Inflation is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over some period of time (Simiyu, 2013). As prices rise, a single unit of currency loses value as it buys fewer goods and services. This loss of purchasing power impacts the general cost of living for the public which ultimately leads to slowed development. The consensus view among economists is that sustained inflation occurs when a nation's money supply growth outpaces economic growth. Inflation could also have a negative impact on revenue collection. It has adverse effects on the economic growth since it increases the cost of doing business and discourages spending behaviour. Shrinking of consumer spending negatively affects taxes like VAT and excise duty which are mainly consumption taxes and the corporation taxes of companies will also be reduced due to reduced turnovers. In extreme situations, inflation leads to job and production cuts leading to downsize performance of the economy (Nyaga & Omwenga, 2016).

### **2.4.3 Internal Controls**

Internal controls refer to rules and procedures that are enhanced by a firm so as to eliminate instances of fraud (Njagi, 2018). Such controls ensure that firms adhere to the stipulated policies to protect the image of the company occasioned by financial loss. It usually encompasses among other factors, proper accounting policies and enhanced accuracy in the reporting of the financial statements of the firm. Various components of internal controls environment, risk assessment, control activities and monitoring are important for it to be effective (Mwachiro, 2013). Furthermore, they have played important roles through various mechanisms aimed at revenue collection. Weak internal controls have allowed fraud to flourish, revenue losses to occur and misappropriation of revenue hence their presence have a substantial effect on revenue collection.

Departmentalization involves dividing an organization into different departments, which perform tasks according to the departments' specializations in the organization (Njagi, 2018). KRA is divided into seven major departments, each headed by a commissioner with each department tasked with different activity with a common goal of revenue maximization. In each department, control measure are put in place to ensure that right and privileges are spread across the staff to minimize abuse of power. For instance,

certain tasks like compounding of offenses, waiving of interests and penalties are such that more than one person across different levels make decisions regarding a key matter to avoid abuse of processes. This will cause little or no revenue leakage experienced leading to improved revenue collection.

According to Gachiku (2015), internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. These audits ensure compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection. Internal audits also provide management with the tools necessary to attain operational efficiency by identifying problems and correcting lapses before they are discovered in an external audit. KRA has an internal audit department which reports accountable to the board of directors to ensure independence and accuracy of their operations. They act as a second eye to the management and look at all areas of organization from financial, adherence to procedures, staffing, train, ICT systems among others. Internal audits seek to identify any shortcomings in a company's internal controls. Examples of internal controls are segregation of duties, authorization, documentation requirements, and written processes and procedures.

#### **2.4.4 Revenue Collection**

Revenue collection is the process through which the government generates finances from people and businesses implemented by Kenya Revenue Authority (Ngui, 2014). Tax collection is divided into domestic taxes and custom duty. The digital revolution has paved the way for profound changes in tax policy design and revenue administration. Digital technologies have transformed how payments are made, enabling financial inclusion through easy virtual access to bank accounts. These innovations have led to a broad retail payment platform, which has made payments more efficient, transparent, and safe, facilitating financial inclusion regardless of income level. The broader platform has been useful for functions including e-commerce, tax payments, and revenue administration. This has not only led to efficient tax payment processes but also improved revenue collection (KRA, 2019).

Revenue growth is the increase, in a company's sales between two periods (Akran, 2015). KRA has experienced tremendous revenue growth over the years although it has continuously felt short of revenue target set by treasury. Revenue collection in 2018/19 reached a new record with Kshs. 1.580 Trillion collected, compared to Kshs. 1.435

Trillion collected in FY 2017/18. Revenue grew by 11.3% compared to the previous year's 5.1% growth. Revenue collected has more than doubled over the last seven years from Kshs. 0.707 Trillion in 2011/12. The exchequer revenue grew by 11.5% with a collection of Kshs 1.477 Trillion against Kshs 1.340 Trillion collected in 2017/18 (KRA, 2019).

Revenue collection targets is the sum of gross taxes derived by the Kenya Revenue Authority to be collected from taxpayers in a given financial year (KRA, 2019). The revenue collection targets are usually set by the National Treasury and is usually revised from time to time depending on the prevailing economic conditions facing the country. KRA has continuously missed its revenue collection target, in the financial year 2015/2016 the authority missed its taxes target by Kshs 12 billion, by Kshs 67 billion in 2016/2017 and Kshs 106 billion in 2017/2018 and by 63 billion in 2018/2019. The short fall could be attributed to factors such as poor tax administration process among other factors.

## **2.5 Empirical Review**

A study by Kosaye, (2018) on factors affecting revenue collection of County Governments in Kenya, a case of Marsabit County. The study was examine the factors affecting revenue Collection of County governments. The specific objectives were to examine the effect of automating revenue collection system, effect of staff competence, and how an internal control affects revenue collection. The study proposed a descriptive survey design and collected primary data using a structured questionnaire. The study found that there is need to automate revenue collection as this will save on revenue collection costs and time spent in revenue collection. Findings also indicated that the county government does not ensure all revenue collection staff has relevant skills in revenue collection. It was also established that the internal audit report address weaknesses in the internal control system and independent reconciliations of revenue collection on regular basis is done. The study concluded that county governments should be aware of the factors that affect revenue collection. The study recommended that more resources should be invested for ICT and new technology facilities should be acquired to facilitate revenue collection in order to realize long term benefits.

A study by Masawa, (2019) on analysis of socio-economic factors affecting revenue collection in Kenya: A case of Siaya County. This study sought to analyse the socio-

economic factors affecting revenue collection in Kenya: A case of Siaya County. The specific objectives: To establish the effect of economic growth, to determine the effect of inflation, to investigate the effect of automation on rate of revenue collection in Kenya and to evaluate the effect of political goodwill on rate of revenue collection in Kenya. The study adopted a cross sectional descriptive survey design and a correlational research design and a questionnaire to collect primary data. The study established that economic growth, inflation, automation and political goodwill are indeed socio-economic factors affecting revenue collection in Kenya. In conclusion, economic growth, automation and political goodwill had a positive significant effect while inflation was negatively correlated with rate of revenue collection in Kenya.

A study by Njagi (2018) on effect of internal controls on revenue collection of Level Five Hospitals in Kiambu County. The study sought to investigate the effect of internal control practices adopted by Kiambu County Level Five Hospitals on revenue collection. The specific objective were to establish the effect of management control systems, to determine the effect of internal audit function, and to investigate the effect of departmentalization on revenue collection of Level Five Hospitals in Kiambu County. The study adopted a descriptive research design and primary information was gathered using structured questionnaires while secondary information was gathered through literature review. The findings found a significant correlation between departmentalization and revenue collection and thus an increase in application of departmentalization led to revenue collection increase by the level five hospitals in Kiambu. A strong positive correlation between internal audit function and revenue collection exist and therefore an increase in internal audit function leads to an increase in the revenue collection by level five hospitals. The analysis and evaluation of the efficiency of management control systems provided re-assurance that internal control systems were adequate.

A study by Adenya & Muturi (2017,) on factors affecting revenue collection efficiency by County Governments in Kenya - A Case of Kiambu County. The main objective was to assess factors affecting revenue collection efficiency by county governments in Kenya. The specific objectives were: To determine the effect of economic factors on revenue collection efficiency by county governments in Kenya. To determine the effect of technology on revenue collection efficiency by county governments in Kenya. To

determine the effect of internal control systems on revenue collection efficiency by county governments in Kenya. To determine the effect of enforcement of laws on revenue collection efficiency by County Governments in Kenya. The research employed a descriptive research design and primary data was collected using questionnaires. These findings demonstrated that all the factors affecting revenue collection (economic factors, technology, internal controls, and enforcement of laws) were found to be significant and positively related to revenue collection efficiency by county governments in Kenya. These findings asserted the importance of the factors under study, thus county governments should put due consideration for optimum revenue collection.

## **2.6 Critique of the Existing Literature Review**

A study by Kosaye (2018) on factors affecting revenue collection of County Governments in Kenya, a case of Marsabit County. The study recommended that more resources should be invested for information communication technology and new technology facilities should be acquired to facilitate revenue collection in order to realize long term benefits. The study fails to address the ethical and moral principles of individuals who despite the application of ICT, they might look for loopholes to tamper with the system in order to engage in corruption. The staff might also do their best to ensure that the system does not work so the resources should also be directed to training of staff thus making them accept the system.

A study by Njagi (2018) on effect of internal controls on revenue collection of Level Five Hospitals in Kiambu County. The study recommended that the management ought to likewise guarantee that their associations have solid inner control condition where inside control exercises in the form of procedures and strategies are sufficient. The control activities and environment ought to all the time be assessed by internal auditors to offer the board with the confirmation on the sufficiency and adequacy of internal controls set up by management. The study fails to address the issue of competitive salaries which might compromise the sufficient procedures and strategies through collusion and bribery.

A study by Adenya & Muturi (2017) on factors affecting revenue collection efficiency by County Governments in Kenya - A Case of Kiambu County. The study found the technology used was only limited to capture transactions after revenue collection but not efficient for capturing records and transactions of individual taxpayers electronically.

While the internal controls observed involved submission of revenue collected per the rules as well as auditing the revenue collection records which helps secure the revenue collected. With the partial application of technology can result to revenue leakage since manual system can easily be compromised as record keeping transactions could be too bulky for effective auditing. This will result to revenue leakage.

## **2.7 Research Gaps**

A study by Kosaye (2018) on factors affecting revenue collection of County Governments in Kenya, a case of Marsabit County. Although the findings showed that automating revenue collection system, staff competence on revenue collection and internal control positively affects revenue collection the study was done on County Government of Marsabit. County Government of Marsabit might have some autonomy in its revenue collection activities which is different from KRA a state agency collecting revenue on behalf of the state. In order to carry out its mandate, it must be in line with the state legislations unlike the county government which might have its own by-laws which govern its execution of its power. Thus they face different circumstances which necessitates further studies to be conducted so as to come up with a conclusive report.

A study by Masawa (2019) on analysis of socio-economic factors affecting revenue collection in Kenya: A case of Siaya County. The results showed that economic growth, inflation rate, automation and political goodwill jointly caused a significant deviation associated to rate of revenue collection in Kenya. In summary, the study established that economic growth, inflation, automation and political goodwill are indeed socio-economic factors affecting revenue collection in Kenya. In conclusion, economic growth, automation and political goodwill had a positive significant effect on rate of revenue collection in Kenya while inflation was negatively correlated with rate of revenue collection in Kenya. However, the study did not focus on internal controls, a gap the current study sought to fill.

A study by Njagi (2018) on effect of internal controls on revenue collection of Level Five Hospitals in Kiambu County. The findings found a significant correlation between departmentalization and revenue collection and thus an increase in application of departmentalization led to revenue collection increase by the level five hospitals in Kiambu. A strong positive correlation between internal audit function and revenue collection exist and therefore an increase in internal audit function leads to an increase in

the revenue collection by the level five hospitals. While the examination and evaluation of the effectiveness of management control systems provided re-assurance that the internal control systems were adequate. However, the study did focus on Level Five Hospitals in which is different from KRA which necessitates further studies to be conducted to come up with a conclusive report.

A study by Adenya & Muturi (2017) on factors affecting revenue collection efficiency by County Governments in Kenya -A Case of Kiambu County. These findings demonstrated that all the factors affecting revenue collection (economic factors, technology, internal controls, and enforcement of laws) were found to be significant and positively related to revenue collection efficiency by county governments in Kenya. These findings asserted the importance of the factors under study, thus county governments should put due consideration for optimum revenue collection. However, the study did focus on Kiambu County which is affected by various county by-laws which influences its directives. In order to carry out its mandate, it must be in line with the state legislations unlike the county government which might have its own by-laws which govern its execution of its power. Similarly, the study employed a longitudinal research design; which is a methodological gap when compared to the current study.

## **2.8 Summary**

This chapter has presented a preview of related literature on factors determining revenue collection by the Kenya Revenue Authority in Mombasa County. Various research theories associated to the study have also been presented. The section highlighted the influence of technology on revenue collection. It also highlights the influence of economic factors on revenue collection. Finally, the influence of internal controls on revenue collection. A conceptual framework was drawn to speculate the relationships amongst the dependent and independent variables. An empirical review was done where past studies relevant to the study were reviewed which led to a critique and finally resulting to research gaps which the current study aims to fill.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the overview of the research design that were used in the research, the target population, in addition to giving the rationalization for choosing a particular research design. Furthermore, it defines the various methods and procedures used in data collection, the features of the population used in the study and also describe the appropriate data analysis and interpretation of methods used.

#### **3.2 Research Design**

This refers to a strategy and structure for examination that is considered as to hold answers to research questions (Creswell 2017). It identifies the different approaches techniques and processes for data collection and analysis of the gathered information. It is a master plan that identifies approaches, techniques and processes for data collection and analysis of the needed information in your research.

This study adopted a descriptive research design. Kothari (2013), descriptive research design is a systematic, empirical inquiring into which the research does not have a direct control of independent variables as their manifestation has already occurred or because inherently cannot be manipulated. It seeks to determine if there is a relationship between variables and further describe the direction of the relationship. A descriptive research design was preferred because, the researcher had the overall aim of investigating the factors determining revenue collection by KRA in Mombasa County. In this regard, a descriptive research design was aimed at describing the relationship between variables.

#### **3.3 Population**

Population refers to entire population of characters that are relevant to the study and from which we would like to draw some inferences (Zikmund, Babin, Carr & Griffin, 2013). In this study, target population was Kenya Revenue Authority Domestic Taxes Department staff based at the Southern Region Headquarters, Mombasa.

**Table 3.1 Target Population**

<b>Category</b>	<b>Target Population</b>
Top Management	16
Middle Management	134
Lower Management	438
<b>Total</b>	<b>588</b>

**Source:** Kenya Revenue Authority, 2020

### **3.4 Sampling Frame**

Sampling frame refers to source of materials from the sample selected. Sampling frame therefore helps to provide means of choosing the particular members of the target population. The sampling frame was a list of all KRA DTD staff in various sections in Mombasa County.

### **3.5 Sample and Sampling Technique**

A sample refers to the group of people who actually take part in the research (Kothari, 2013). They are always subsets of the total population that could be studied during the research. The sample size was drawn from the KRA staff based within Mombasa. The study used Slovin's formula to obtain a sample from the large number of staff. The formula was selected because it is easy to use and understand based on the confidence interval selected (Creswell 2017). The sample was obtained based on the margin of error of 0.1 and a 95% confidence level. Simple random sampling was employed such that every individual had an equal chance to participate.

**Slovin's Formula:**

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

Where;

**N-** is the population size.

**n-** is the sample size.

**E-** is margin of error.

$$\frac{588}{1 + 588(0.1)^2} = 85$$

**Table 3.2 Sample Size**

<b>Cluster</b>	<b>Target Population</b>	<b>Sample</b>
<b>Size</b>		
Top Management	16	2
Middle Management	134	19
Lower Management	438	64
<b>Total</b>	<b>588</b>	<b>85</b>

### **3.6 Data Collection Instruments**

Structured questionnaires were issued to respondents by the researcher personally. A method of hand delivery and collection of the same was used. The questionnaires were hand delivered and collected as per agreed time frame. The questionnaires have been drafted in a way that it could be employed to objectively collect data that would tally with all the study variables. The Structured questionnaires employed closed ended questions.

### **3.7 Data Collection Procedure**

The researcher sought for approval from KESRA to conduct the research. Approval was also sought from KRA Human resources department to allow for distribution of questionnaires and sought any information necessary for the research. The researcher then developed a schedule on how to collect the data. Finally, the researcher assured respondents of their confidentiality throughout the exercise.

### **3.8 Pilot Study**

According to Kothari (2013), the importance of pilot study is to enable one test the validity and reliability of research instruments that would be used in the research. The respondents used in the pilot study be at least 10% of the projected sample size. In the study, nine questionnaires were administered to KRA staff within Mombasa South station to test the validity of the instrument that was used to collect data. Those used in the pilot test were not included in the main study.

#### **3.8.1 Validity**

Validity is the extent to which the conclusions from the research actually represent the phenomenon under study. This was performed to test usefulness and accuracy through a content validity test. It showed the extent to which the results gathered through a

particular instrument actually show what they were intended to show. According to Simiyu & Mwakale 2017), the questionnaire guide are said to be valid when they actually measure the intended parameters. Moreover, the study adopted KMO and Bartlett's test statistic that indicates the proportion of variance in the variables that might be caused by underlying factors. High values (close to 1.0) generally indicate that a factor analysis may be useful with your data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful.

### **3.8.2 Reliability**

Reliability refers to the extent by which the results of study give consistent results. The data was tested for reliability so as to analyze information like the sources of information given, data collection means, and biasness during the entire period of data collection and also accuracy levels. The aim of carrying out reliability test was to show the extent to which results obtained under study are consistent when tested over a period of time. However, consistent results are not always valid hence the instrument was improved by removing the inconsistent information. This study will utilize Cronbach's alpha reliability coefficient ranges between 0 and 1. Reliability coefficient of 0 implies that there is no internal reliability while 1 indicated perfect internal reliability. The optional value of 0.7 was used as a cut-off of dependability. Reliability coefficient of 0.7 or more indicates high reliability of the data (Karimi 2017). This study therefore employed the use of internal consistency technique to carry out reliability test.

### **3.9 Data Analysis and Presentation**

This refers to data processing so as to derive meaningful information. Zikmund, Babin, Carr, and Griffin, (2013), argued that it is a step by step procedure of the actions that showed the relationship and trends within the target group and ensures that key information on the research is captured. After data collection, sorting and coding, the data was entered into the Statistical Packages for Social Science (SPSS version 25) to assist in the analysis especially for the quantitative data collected. Coding and sorting will help in removing redundant data. The data showed the trends of each variable in addressing the revenue collection by KRA. The quantitative data was shown in pie charts, bar charts and tables together with a summarized explanation in relation to the literature.

Descriptive, correlation and regression analysis was employed to analyze quantitative data that was collected during the study. Descriptive analysis involves finding numerical

summaries that helps one to have a deeper understanding of the items under study. Cohen, West and Aiken (2013), argued that correlation analysis refers to using data collected to find out the existence of relationship between two or more quantifiable variables in which magnitude and correlation is indicated by a correlation coefficient. Regression analysis refers to the measurement of linear association between the independent and the dependent variables (Creswell, 2017). In addition, it is assumed that there is a predictable relationship between dependent and independent variations and that the dependent variance values can be found in the chart or independent variance table. The results of the research was presented in form of tables, charts and figures.

### **3.9.1 Analytical Model**

The dependent variable is revenue collection process and is to be tested through three independent variables: Technology, Economic Factors and Internal Controls Factors. The multiple regression equation was applied as follows;

#### **Regression model:**

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

Where;

**Y** – Revenue Collection

**$\beta_0$**  – Constant Term

**$\beta_1, \beta_2, \beta_3$**  – Correlation Coefficients

**$X_1$**  – Technology Factors

**$X_2$**  – Economic Factors

**$X_3$**  – Internal Controls

**$\epsilon$**  – Error term

The measurements for both independent and dependent variables will be through use of ordinal scale. Various responses will be provided in a Likert scale of from 1-5 so as to determine the influence of independent variables on enhancing revenue collection within the Mombasa County.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter described the response rate, data coding and cleaning as well as finding out the factor analysis of the measures of variables. Subsequently, the chapter presented the research results which were presented using a variety of inferential and descriptive statistics that highlighted the major characteristics of the data.

#### 4.2 Response Rate

The study recorded a 71.7% response rate implying that the respondents filled and returned sixty one (61) questionnaires out of the eighty five (85) questionnaires distributed. This high response rate was attributed to the eye catching research topic and proper timing which was facilitated by the drop and pick method. Thuo (2013) noted that a response rate of over fifty percent (50%) is adequate for analysis, sixty percent (60%) good while seventy percent (70%) and above to be very good enough. High response rate enhances validity and importance of the findings. Hence, since the response rate in this study was 71.7% it was regarded as very good and adequate for further analysis.

**Table 4.1 Questionnaire Return Rate**

	Frequency	Percentage
Respondent	61	71.7
Non-respondent	24	28.3
<b>Total</b>	<b>85</b>	<b>100</b>

#### 4.3 Pilot Results

According Kothari (2013), the importance of pilot study is to enable one test the validity and reliability of data collection instruments that would be used in the research to ascertain if there are any weaknesses in them.

### 4.3.1 Reliability Analysis

Reliability refers to the extent by which the results of study give consistent results. The problems that were tested for reliability are, data collection time, data collection methods using Cronbach's Alpha from the SPSS version 25 on all the variables. The analysis produced Cronbach's alpha values above 0.70, therefore offered reasonably consistent results thus consider the instrument reliable.

**Table 4.2 Reliability Results**

Scale	Cronbach's Alpha
<b>Comments</b>	
Technology	0.845
Accepted	
Economic Factors	0.836
Accepted	
Internal Controls	0.830
Accepted	
Revenue Collection	0.821
Accepted	

### 4.3.2 Validity Results

Validity is the extent of which the conclusions from the research actually represent the phenomenon under study. Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.732 hence was suitable items for each factor. Creswell (2017) suggested that KMO > .90 were excellent, in the .80s, meritorious, in the .70s, moderate, in the .60s, mediocre, in the .50s, miserable and less than .50, intolerable. Bartlett's Test of Sphericity taking a 95% level of Significance,  $\alpha = 0.05$  the p-value (Sig.) of  $.000 < 0.05$ , therefore the Factor Analysis is valid.

**Table 4.3: KMO and Bartlett's Test**

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Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.732
Bartlett's Test of Sphericity	Approx. Chi-Square	683.879
	Df	10
	Sig.	.000

#### **4.4 Demographic Analysis**

##### **4.4.1 Level of Education**

The findings exhibited that most respondents' highest level of education was undergraduate degree as accounted for by 56.7 % of the respondents, 29.2% had postgraduate degrees as the highest education level while 14.0% of the respondents had a diploma as the highest level of education. This essentially implies that majority of the respondents were learned and with critical education and knowledge necessary to articulate issues in revenue collection and understand factors influencing revenue collection by KRA in Mombasa County.

**Table 4.4: Level of Education**

---

	<b>Frequency</b>	<b>Percentage</b>
Diploma	9	14.0
Undergraduate	35	56.7
Postgraduate	17	29.2
<b>Total</b>	<b>61</b>	<b>100</b>

---

##### **4.4.2 Work Experience**

On the work experience, the findings showed that majority of the respondents 47.5% had worked for KRA for between 6-10 years, while 29.5% had worked for between 2-5 years, 19.5% had worked for above 10 years and 3.3% had worked for below 1 year. The finding implies that majority of the respondents had the basic work experience necessary to comprehend the factors influencing revenue collection by KRA in Mombasa County.

**Table 4.5: Work Experience**

<b>Scale</b>	<b>Frequency</b>	<b>Percentage</b>
Below 1 years	2	3.3
2-5 years	18	29.5
6-10 years	29	47.5
Above 10 years	12	19.7
<b>Total</b>	<b>61</b>	<b>10</b>

## **4.5 Descriptive Analysis**

### **4.5.1 Technology**

In this section, the study sought to find out the influence of technology on revenue collection by the Kenya Revenue Authority in Mombasa County. Table 4.6 shows the relevant statistical results of technology on revenue collection by the Kenya Revenue Authority. Respondents opined that revenue collection is automated with a mean of 4.12, followed by awareness about the system used in revenue collection with a mean of 4.11, and then they agreed information technology systems have made it easier for the taxpayers to comply with tax laws with a mean of 4.19. They agreed that system have improved revenue reporting with a mean of 4.21. Then they agreed that the system has improved accountability of collected revenue with a mean of 4.07 and then finally they agreed that the systems have the capability to enable communication between KRA and taxpayers with a mean of 3.98. Therefore, on average, most of the respondents strongly agreed that technology influences revenue collection by the Kenya Revenue Authority in Mombasa County with a mean of 4.11.

**Table 4.6: Technology**

<b>Standard</b>	<b>Mean</b>	
<b>Deviation</b>		
Revenue collection is automated.	4.12	.776
There is awareness about the system used in revenue collection.	4.11	.625
Information technology systems have made it easier for the taxpayers to comply with tax laws.	4.19	.752
The system have improved revenue reporting.	4.21	.651
The system has improved accountability of collected revenue.	4.07	.812
The systems have the capability to enable communication between KRA and taxpayers.	3.98	.914
<b>Total</b>	<b>24.68</b>	<b>4.53</b>
<b>Average</b>	<b>4.11</b>	<b>.755</b>

These findings were in tandem with the findings by Kosaye, (2018) found out that automating revenue collection will save on revenue collection costs and time spent in revenue collection. He further suggested that more resources should be invested for ICT and new technology facilities should be acquired to facilitate revenue collection in order to realize long term benefits. Masawa, (2019) also came to an agreement that automation had a significant effect on rate of revenue collection in Kenya. The study in addition endorses auxiliary scrutiny and improvement on current automation models utilized by county governments with a focus on improved efficiency, cost effectiveness and timely interventions. Moreover, the efficacy of automation of revenue billing and collection in fostering revenue collection should be part and parcel of every government department.

#### **4.5.2 Economic Factors**

The study sought to investigate the influence of economic factors on revenue collection by the Kenya Revenue Authority in Mombasa County. Table 4.7 shows respondents' degree of agreement on how economic factors affects revenue collection in Mombasa. Respondents agreed that economic cycles affect tax collection in the station with a mean of 4.23, then revenue growth is affected by the general economic growth of the country with a mean of 4.21, and then they agreed that there exist mechanisms to revise revenue targets as per the economic performance with a mean of 4.17. They agreed that inflationary adjustments are made on some taxes levied by KRA with a mean of 4.19. Then they agreed that staff are made aware of rates applied for inflationary adjustments with a mean of 4.30 and then finally they agreed that inflation changes affects revenue collection and growth with a mean of 4.26. Therefore, on average, most of the respondents strongly agreed that economic factors influences revenue collection by the KRA in Mombasa with a mean of 4.23.

These findings were consistent with the findings by Adenya & Muturi, (2017) who reported that economic factors influenced revenue collection. He found out that revenue collection were affected by factors like compliance levels and tax rates. Other factors like inflation and foreign direct investments also had an effect on revenue collection although they were beyond management control. Masawa, (2019) additionally highlighted existence of a positive relationship between economic growth and rate of revenue collection in Kenya. Likewise inflation was negatively correlated with rate of revenue collection in Kenya.

**Table 4.7: Economic Factors**

	<b>Standard Deviation</b>	<b>Mean</b>
Economic cycles affect tax collection in the station.	4.23	.685
Revenue growth is affected by the general economic growth of the country.	4.21	.580
There exist mechanisms to revise revenue targets as per the economic performance.	4.17	.773
Inflationary adjustments are made on some taxes levied by KRA.	4.19	.627
Staff are made aware of rates applied for inflationary adjustments.	4.30	.625
Inflation changes affects revenue collection and growth.	4.26	.755
	<b>Total</b>	<b>25.36 4.05</b>
	<b>Average</b>	<b>4.23 .675</b>

#### 4.5.3 Internal Controls

Respondents were approached with different statements seeking to examine the influence of internal controls on revenue collection by the Kenya Revenue Authority in Mombasa County. Table 4.8 summarizes respondents' degree of agreement on how internal controls influence revenue collection in Mombasa County. Respondents agreed that there exist departmentalization within our tax station with a mean of 4.13, followed by specific lines of authority having been established to ensure compliance with procedures with a mean of 4.29, and then they agreed decisions regarding compounding of revenue can only be done by specified staff with a mean of 4.07. They agreed that there are channels to report control deficiencies with a mean of 4.19. Then they agreed that there is an internal audit section within the organization with a mean of 4.23 and then finally they agreed that there is adherence to recommendations of the internal audit on revenue leakages with a mean of 4.20. Therefore, on average, most of the respondents strongly agreed that internal

controls influences revenue collection by the Kenya Revenue Authority in Mombasa County with a mean of 4.19.

**Table 4.8: Internal Controls**

<b>Standard Deviation</b>	<b>Mean</b>	
There exist departmentalization within our tax station.	4.13	.578
Specific lines of authority have been established to ensure compliance with procedures.	4.29	.680
Decisions regarding compounding of revenue can only be done by specified staff.	4.07	.873
There are channels to report control deficiencies.	4.19	.720
There is an internal Audit section within the organization.	4.23	.647
There is adherence to recommendations of the internal audit on revenue leakages.	4.20	.585
<b>Total</b>	<b>25.11</b>	<b>4.08</b>
<b>Average</b>	<b>4.19</b>	<b>.680</b>

These findings were consistent with the findings by Njagi (2018) who reported that a strong positive correlation between internal audit function and revenue collection exist and therefore an increase in internal audit function leads to an increase in the revenue collection by the level five hospitals. While the examination and evaluation of the effectiveness of management control systems provided re-assurance that the internal control systems were adequate. Kosaye, (2018) further found out that internal audit report address weaknesses in the internal control system and independent reconciliations of revenue collection on regular basis should be done.

#### **4.5.4 Revenue Collection**

Respondents were approached with different statements seeking to investigate factors determining revenue collection by the KRA in Mombasa County. Table 4.9 summarizes respondents' degree of agreement on how revenue collection is influenced by various factors in Mombasa. The respondents agreed that revenue collection is affected by

economic growth with a mean of 4.03, there has been revenue growth over the years with a mean of 4.09, and then they agreed that there is comparison between current and previous years' revenue growth with a mean of 4.07. They agreed that economic growth affects revenue collection by KRA with a mean of 4.04. Then they agreed that there exists comparison between station's performance and other stations' performance with a mean of 4.03 and then finally they agreed that revenue collected is accounted for with a mean of 4.11. Therefore, on average, most of the respondents strongly agreed that revenue collection influenced by various factors in Mombasa County with a mean of 4.06.

**Table 4.9: Revenue Collection**

<b>Standard</b>	<b>Mean</b>	
<b>Deviation</b>		
Revenue collection is affected by economic growth.	4.03	.678
There has been revenue growth over the years.	4.09	.656
There is comparison between current and previous years' revenue growth.	4.07	.567
Economic growth affects revenue collection by KRA.	4.04	.672
There exists comparison between station's performance and other stations' performance.	4.03	.534
Revenue collected is accounted for.	4.11	.658
<b>Total</b>	<b>24.37</b>	<b>3.77</b>
<b>Average</b>	<b>4.06</b>	<b>.678</b>

These findings were consistent with the findings by Njagi (2018) who reported that internal controls have played through development of mechanisms aimed at enhancing revenue collection. The presence of strong internal controls was therefore found to have

a substantial effect on revenue collection. Adenya & Muturi, (2017), also agrees that the factors affecting revenue collection (economic factors, technology, internal controls, and enforcement of laws) were significant and positively related to revenue collection efficiency by county governments in Kenya. These findings asserted the importance of the factors under study, thus county governments should put due consideration for optimum revenue collection.

#### 4.6 Correlation Analysis

The study used correlation technique to assess the association between factors influencing revenue collection by Kenya Revenue Authority and revenue collection with the Karl Pearson correlation coefficient (rho) analysis which gives a statistic that lies between -1 and +1.

**Table 4.10: Person Correlation Matrix**

<b>Internal Controls</b>		<b>Revenue Collection</b>	<b>Technology</b>	<b>Economic Factors</b>	
<b>Revenue Collection</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	61			
<b>Technology</b>	Pearson Correlation	.775**	1		
	Sig. (2-tailed)	.000			
	N	61	61		
<b>Economic Factors</b>	Pearson Correlation	.670**	.521**	1	
	Sig. (2-tailed)	.002	.001		
	N	61	61	61	
<b>Internal Controls</b>	Pearson Correlation	.637**	.561**	.468**	
	Sig. (2-tailed)	.001	.000	.000	
	N	61	61	61	61

\*\* Correlation is significant at the 0.05 level (2-tailed).

The findings suggested that the relationship between technology and economic factors had a rho of 0.521, and a p value  $p=0.001$  which is statistically significant. Technology and consumer-to-consumer e-commerce had a rho of 0.561 and a p value of 0.000, which was statistically significant. Similarly, economic factors and internal controls posted a rho of 0.468 with a p value of 0.000, which was statistically significant. Revenue collection and technology had a rho of 0.775 and a p value of 0.000, which was statistically significant. Revenue collection and economic factors had a rho of 0.670 and a p value of 0.002, which was statistically significant. Finally, revenue collection and internal controls posted a rho of 0.624 with a p value of 0.000 which was statistical significant.

#### 4.7 Regression Analysis

Regression analysis is a method used to evaluate the association among dependent and independent variables (Masawa, 2019).

##### 4.7.1 Model Summary

In the model, the value of (R) is 0.829, which indicates presence of variance shared between the dependent and independent variables. Coefficient of determination  $R^2$  equals to 0.689 suggesting that the technology, economic factors and internal controls explains 68.6% of factors influencing revenue collection by KRA while 31.4% was contributed by other factors not studied in this research. The adjusted R-Square value in was 0.669 implying that 66.9% variability in the outcome variable is explained by the independent variables. Thus the independent variable is fairly in control of the response variable.

**Table 4.11: Model Summary**

Model	R.	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829	.686	.669	0.395

- a. Predictors: (Constant), Technology, Economic Factors and Internal Controls
- b. Dependent variable: Revenue Collection.

##### 4.7.2 Analysis of Variance

The ANOVA test was done to test the significance of the models and to test the existence of variable variations within the models. The Table 4.46 shows the results.

**Table 4.12: Analysis of Variance**

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	146.69	3	48.89	42.298	.000
	Residual	65.88	57	1.156		
	Total	212.57	60			

- Predictors: (Constant), Technology, Economic Factors and Internal Controls
- Dependent variable: Revenue Collection.

#### 4.7.3 Multiple Regression Coefficient

Multiple regression is the procedure of defining the statistical association between two or more variables. It was conducted to determine the relationship between revenue collection and technology, economic factors and internal controls.

**Table 4.13 Multiple Regression Coefficient**

Model 1	Unstandardized Coefficients.		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.847	.342		5.401	.001
Technology	.241	.082	.509	2.942	.000
Economic Factors	.229	.114	.484	2.017	.000
Internal Controls	.115	.035	.243	3.293	.002

- Predictors: (Constant), Technology, Economic Factors and Internal Controls
- Dependent variable: Revenue Collection.

The coefficients of this predictive model on the relationship between revenue collection and factors influencing revenue collection are given in Table 4.14. The specific Beta ( $\beta$ ) coefficients for the factors influencing revenue collection when well managed have a significant positive effect on revenue collection. Technology ( $\beta= 0.509$ ), economic factors ( $\beta= 0.484$ ), and internal controls ( $\beta= 0.243$ ). Thus to establish the relationship

between factors influencing revenue collection and revenue collection the following regression equation was established.

$$Y = 1.847 + 0.241X_1 + 0.229X_2 + 0.115X_3$$

This implies that holding all other factors (technology, economic factors and internal controls) constant at zero, performance of revenue collection would be 1.847. The regression coefficient for technology is 0.241 implying that a unit increase in technology will result to 24.1% increase in revenue collection. The regression coefficient for economic factors is 0.229 implying that a unit increase in economic factors will result to 22.9% increase in revenue collection. While the regression coefficient for internal controls is 0.115 implying that a unit increase in internal controls will result to 11.5% increase in revenue collection.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter summarizes the study. The chapter gives the study summary and the discussions guided by the study objectives. The chapter gives the study conclusions that have been derived from the study findings. The chapter also proposes recommendations for the study categorized by recommendations for improvement and suggestions for further studies.

#### **5.2 Summary**

The study sought to investigate out factors influencing revenue collection by the Kenya Revenue Authority in Mombasa County. The theoretical and empirical literature on revenue collection and factors determining revenue collection were expansively studied, and a comprehensive conceptual framework for the relationship among dependent and independent variables were formulated which dictated formulation of the questionnaire. The questionnaire was tested for reliability using Cronbach's alpha coefficient and validity using Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity. A sample size of 85 was selected and a structured questionnaire used to gather information from the respondents recording a response rate of 71.7% representing 61 of the respondents. The data were analyzed using descriptive and inferential statistics.

##### **5.2.1 Technology**

The first objective of the study sought to find out the influence of technology on revenue collection by the Kenya Revenue Authority in Mombasa County. The indicators of technology taken into consideration were KRA Systems and IT infrastructure according to factor results. Descriptive statistical methods were used to reach at the results. Most of the respondents agreed that technology was related to revenue collection as depicted by cross tabulations results. Findings on correlation matrix indicated that there was a significant and positive association between technology and revenue collection.

On the other hand, inferential statistical methods also gave findings and deductions. The indicators, KRA Systems and IT infrastructure, were found to be statistically significant in explaining the revenue collection. This is because a unit change in technology led to a 24.1% increase in revenue collection. The results showed that the success of a revenue

collection depended on technology as one of the factors to improve revenue collection. There was a positive significant linear relationship between technology and revenue collection by Kenya Revenue Authority. Technology has a significant effect on revenue collection by Kenya Revenue Authority in Mombasa County. The significance of the regression was tested and the findings led to the conclusion that technology positively influenced revenue collection by Kenya Revenue Authority in Mombasa County.

### **5.2.2 Economic Factors**

The second objective to investigate the influence of economic factors on revenue collection by the Kenya Revenue Authority in Mombasa County. The sub-variables included economic growth and inflation rate as depicted by factor results. Majority of the respondents agreed that economic factors did have an effect on revenue collection. Economic factors were found to be positively and significantly associated with revenue collection. Findings on correlation matrix indicated that there was a significant and positive association between economic factors and revenue collection.

On the other hand, inferential statistical methods also gave findings and deductions. The indicators, economic growth and inflation rate, were found to be statistically significant in explaining the revenue collection. This is because a unit change in economic factors led to a 22.9% increase in revenue collection. The results showed that the success of a revenue collection was influenced by economic factors as one of the factors to improve revenue collection. There was a positive significant linear relationship between economic factors and revenue collection by Kenya Revenue Authority. Economic factors therefore had a significant effect on revenue collection by Kenya Revenue Authority in Mombasa County. The significance of the regression was tested and the findings led to the conclusion that economic factors positively influenced revenue collection by Kenya Revenue Authority in Mombasa County.

### **5.2.3 Internal Controls**

The third objective was to examine the influence of internal controls on revenue collection by the Kenya Revenue Authority in Mombasa County. The sub-variables included departmentalisation and internal audit as depicted by factor results. Majority of the respondents agreed that internal controls did have an effect on revenue collection. Internal controls were found to be positively and significantly associated with revenue

collection. Findings on correlation matrix indicated that there was a significant and positive association between internal controls and revenue collection.

On the other hand, inferential statistical methods also gave findings and deductions. The indicators, departmentalization and internal audit, were found to be statistically significant in explaining the revenue collection. This is because a unit change in internal controls led to an 11.5% increase in revenue collection. The results showed that the success of a revenue collection depended on internal controls as one of the factors to improve revenue collection. There was a positive significant linear relationship between internal controls and revenue collection by Kenya Revenue Authority. Internal controls therefore had a significant effect on revenue collection by Kenya Revenue Authority in Mombasa County. The significance of the regression was tested and the findings led to the conclusion that internal controls positively influenced revenue collection by Kenya Revenue Authority in Mombasa County.

### **5.3 Conclusions**

The first objective sought to find out the influence of technology on revenue collection by the Kenya Revenue Authority in Mombasa. The researcher obtained significant results to the research objectives and the research questions. The researcher therefore based on these findings concludes that, the technology currently employed by KRA ensures that revenue collection is maximized. The study findings on the technology have proved that they influence the revenue collection in Kenya. The findings show that KRA has adopted various tax systems to encourage voluntary tax compliance as well as to ensure that taxpayers comply and pay taxes. The regression model show that technology is positively correlated to revenue collection by Kenya Revenue Authority in Mombasa with a  $\beta$  value of 0.509 at significant level of 0.000. In conclusion, technology has a significant effect on revenue collection by Kenya Revenue Authority in Mombasa County.

The second objective sought to investigate the influence of economic factors on revenue collection by the Kenya Revenue Authority in Mombasa. The economic factors are the most critical factor influencing revenue collection as they affect every aspect of taxpayers' life. Study concludes that economic growth translates to more capital goods, labour force hence result to more circulation of goods and services resulting to increased revenue and tax collection. The study also concludes that high inflation rate inflation

leads to job and production cuts leading to downsize performance of the economy thus resulting to decreased revenue collection. The regression model show that economic factors is positively correlated to revenue collection by Kenya Revenue Authority in Mombasa with a  $\beta$  value of 0.484 at significant level of 0.000. In conclusion, economic factors have significant effect on revenue collection by Kenya Revenue Authority in Mombasa County.

The third objective sought examine the influence of internal controls on revenue collection by the Kenya Revenue Authority in Mombasa County. Study concludes that Kenya Revenue Authority ensure that fraud is prevented by putting in place fraud detection mechanisms and audits ensure that effective controlled reporting is done. A strong positive correlation between internal audit function and revenue collection exist and therefore an increase in internal audit function lead to an increase in the revenue collection by Kenya Revenue Authority. The study also concludes that departmentalization is vital in the improvement and safeguard of revenue leakage by ensuring that right and privileges are spread across the staff to minimize abuse of power. For instance, waiving of interests and penalties are handled by more than one person across different levels make decisions regarding this matter to avoid abuse of process. The regression model show that internal controls is positively correlated to revenue collection by KRA in Mombasa with a  $\beta$  value of 0.243 at significant level of 0.002. In conclusion, internal controls have significant effect on revenue collection by KRA in Mombasa.

The study sought to investigate factors determining revenue collection by the Kenya Revenue Authority in Mombasa County. Based on the empirical evidences and results of the analysis, there is a positive and statistically significant relationship between technology, economic factors and internal controls on revenue collection. In conclusion, the study established that technology, economic factors and internal controls indeed influences revenue collection by the Kenya Revenue Authority in Mombasa County.

#### **5.4 Recommendations**

The researcher has the following recommendations regarding the factors that determine revenue collection by the Kenya Revenue Authority in Mombasa County:

1. The researcher recommends, financial resources should be set aside and doubled in the ICT department in order to increase the integration and implementation of ICT projects in KRA.
2. The study also recommends that the management should heavily take up the ICT initiative, have better perception towards ICT and start campaigning for the ICT strategy initiatives integration in KRA.
3. ICT infrastructure should be up to date, electricity be sourced and alternative sources of power be put in place. Also, the management should come up with measures aimed at building equipped laboratories, increasing the number and capacity of computers and finally connect them with unlimited internet.
4. There should be an effective and operational internal control system to ensure greater control of the revenue collected by KRA and continuous improvement through implementation of suggestions and recommendations from the internal audit report.
5. The management ought to likewise guarantee that their associations have solid inner control condition where inside control exercises in the form of procedures and strategies are sufficient. The control activities and environment ought to all the time be assessed by internal auditors to offer the board with the confirmation on the sufficiency and adequacy of internal controls set up by management.
6. KRA ensure suitable control environment for security of the operation activities. The management specifically senior risk manager and senior operations manager of KRA should therefore put in place effective and efficient security network to reduce frequent theft and threat to the KRA operations and property.

### **5.5 Areas for Further Research**

Studies need to be carried out or conducted that would investigate interaction of other variables that may influence revenue collection by KRA example, staff competence working environment among others. A replication of these study should be carried out but these time using a larger sample, more time should be allocated to the same and a combination of more than one of data collecting instrument should be used e.g. interview and focus group discussions these will help to counter check the information provided. The study can be repeated in other counties to establish if the situation is the same as in Mombasa County. The sample and the population of this study was mainly from Mombasa County, thus studies should be conducted to check if other counties are

influenced by similar factors in revenue collection. Further, the study can be repeated some other time later to assess the changes that might have occurred. Due to the dynamic nature of challenges that face revenue collection, the study can be repeated later to determine whether the challenges found in this research and the suggested remedies still hold.

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## APPENDICES

### Appendix I: Letter of Introduction



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KRA/KESRA/MSA/106

25<sup>th</sup> August 2020

*TO WHOM IT MAY CONCERN*

Dear Sir/Madam,

**RE: REQUEST TO COLLECT RESEARCH DATA**

This is to certify that the following is bona fide student of the Kenya School of Revenue Administration Mombasa Campus undertaking Post Graduate Diploma in Tax Administration.

Name	Admission Number
ALEX OTIENO	HDB336-C016-1758/2018

The above- mentioned student is in her final year of study at the school and currently conducting research on the **FACTORS INFLUENCING REVENUE COLLECTION BY THE KENYA REVENUE AUTHORITY IN MOMBASA COUNTY**. The student is in the process of gathering data and thereafter, compile a report that will strictly be used for academic purposes only. The School would therefore like to seek your permission to allow him collect information that relates to his research from your organization.

Thank you in advance for your support and cooperation.

Yours sincerely,

Mumia B.J.

**Associate Head of Research KESRA, Mombasa Campus**



***Tulipe Ushuru Tujitegemee !***



## Appendix II: Questionnaire

This questionnaire is designed to gather information to be used purely for the purposes of academic research intended to explore the factors influencing revenue collection by the Kenya Revenue Authority, Mombasa County. Therefore, you are requested to provide the most suitable answers in the spaces provided and the responses will be treated with utmost confidentiality.

### SECTION A: GENERAL INFORMATION

1. Gender (Kindly tick appropriately)

Male [ ]

Female [ ]

2. Academic Level (Kindly tick appropriately)

Diploma [ ]

Undergraduate [ ]

Post graduate degree [ ]

3. Management level (Kindly tick appropriately)

Senior level Management [ ]

Middle level management [ ]

Lower level management [ ]

4. Duration of time employed at the Kenya Revenue Authority (Kindly tick appropriately)

Less than 1 year [ ]

2-5 years [ ]

6-10 years [ ]

Above 10 years [ ]

### Section B: Technology

This section will seek to establish the influence of Technology on revenue collection by the Kenya Revenue Authority in Mombasa County.

Please indicate the level of your agreement with the below listed statements in regard to **Technology** by the Kenya Revenue Authority, Mombasa County. Kindly tick appropriately where;

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree.

No	Statement	SD	D	N	A	SA
B1	Revenue collection is automated					
B2	There is awareness about the system used in revenue collection					
B3	Information technology systems have made it easier for the taxpayers to comply with tax laws					
B4	The system have improved revenue reporting					
B5	The system has improved accountability of collected revenue.					
B6	The systems have the capability to enable communication between KRA and taxpayers					

### Section C: Economic Factors

This section will seek to establish the influence of Economic Factors on revenue collection by the Kenya Revenue Authority in Mombasa County.

Please indicate the level of your agreement with the below listed statements in regard to **Economic Factors** by the Kenya Revenue Authority, Mombasa County. Kindly tick appropriately where; SD = Strongly Disagree, D= Disagree, N =Neutral, A = Agree and SA =Strongly Agree.

No	Statement	SD	D	N	A	SA
C1	Economic cycles affect tax collection in the Mombasa					
C2	Revenue growth is affected by the general economic growth of the country					
C3	There exist mechanisms to revise revenue targets as per the economic performance					
C4	Inflationary adjustments are made on some taxes levied by KRA					
C5	Staff are made aware of rates applied for inflationary adjustments					
C6	Inflation changes affects revenue collection and growth					

**Section D: Internal Controls**

This section will seek to establish the influence of Internal Control on revenue collection by the Kenya Revenue Authority in Mombasa County.

Please indicate the level of your agreement with the below listed statements in regard to **Internal Control** by the Kenya Revenue Authority, Mombasa County. Kindly tick appropriately where; SD = Strongly Disagree, D= Disagree, N =Neutral, A = Agree and SA =Strongly Agree.

No	Statement	SD	D	N	A	SA
D1	There exist departmentalization within our tax station					
D2	Specific lines of authority have been established to ensure compliance with procedures					
D3	Decisions regarding compounding of revenue can only be done by specified staff					
D4	There are channels to report control deficiencies					
D5	There is an internal Audit section within the organization					
D6	There is adherence to recommendations of the internal audit on revenue leakages					

### **Section E: Revenue Collection**

This section will seek to establish the influence of Revenue Collection at the Kenya Revenue Authority in Mombasa County.

Please indicate the level of your agreement with the below listed statements in regard to **Revenue Collection** by the Kenya Revenue Authority, Mombasa County. Kindly tick appropriately where; SD = Strongly Disagree, D= Disagree, N =Neutral, A = Agree and SA =Strongly Agree.

<b>No</b>	<b>Statement</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
E1	Revenue collection is affected by economic growth					
E2	There has been revenue growth over the years					
E3	There is comparison between current and previous years' revenue growth					
E4	Economic Growth affects Revenue collection by KRA					
E5	There exists comparison between station's performance and other stations' performance					
E6	Revenue collected is accounted for					

**THANK YOU FOR YOUR PARTICIPATION**

