

**FACTORS INFLUENCING REVENUE COLLECTION IN COUNTY GOVERNMENTS:
A CASE STUDY OF KIRINYAGA COUNTY**

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DECLARATION

This research project study is my original work and has not been presented to any other university or institution of higher learning.

Signature.....

Date.....

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HDB336-CO16-2108/2016

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

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DEDICATION

This research study is dedicated to my entire family.

ACKNOWLEDGEMENT

The accomplishment of this work was successful through the continued technical assistance of my supervisor Dr. Marion Nekesa PhD. I wish to thank my employer for providing time and creating conducive environment for the study. The encouragement and resilient of my family through the tasking duration cannot go unacknowledged. I am indebted to my colleagues for their moral support and encouragement. May God bless you all.

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LIST OF ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
GOK	Government of Kenya
IT	Information Technology
KLGRP	Kenya Local Government Reform Programme
VAT	Value Added Tax
SBP	Single Business Permit
MCON	Municipal Council of Nyeri
RF	Revenue Fund
IFMS	Information Financial Management System
FLF	Fuel Levy Fund
LA	Local Authorities
G2G	Government to Government
G2B	Government to Business
G2C	Government to Citizen

DEFINITIONS OF TERMS

Government policies

Refer to the principles or directions to guide decisions and accomplish rational outcome (Waema, 2005)

Government revenue

Refers to the earnings by the government for the purpose of execution of development programs and funding of its amenities (Morrison, 2008).

Revenue collection

Is the income that government obtains from taxation, customs, excise duties or other sources adopted to the payment of the public expenses such as the communal items or amounts of income of a person, a state, or the return or produce from any kind of belongings, patent, service rendered (Timothy, 2014).

Revenue enhancement plans

Entails processes that are used in verge of increasing revenues. Revenue enhancement includes reducing taxpayer deductions and eliminating tax credits. It refers to raising taxes ultimately, especially by eliminating inferences or credits (Mittula, 2014).

Tax

Is the charge collected for maintenance or for the purpose of providing the service delivery (Borg, 2006).

Population

An entire group of individuals, events or objects having common observable characteristics (Mugenda & Mugenda, 1999).

ABSTRACT

Aim of this study is to investigate the factors influencing revenue collection in county governments. The study was guided by the following specific objection ; to determine the influence of computerized systems on revenue collection in the county, to examine how internal controls affects revenue collection in the county and to assess the extent to which staff competence influence revenue collection in the county. The findings of the study will inform the KRA Management Board on the options for improvement of its revenue collection in county government so as to ensure that the Authority is able to achieve its set revenue collection targets over the respective financial years. In addition, the study was relevant because its findings may be useful to policy makers who are in a position to make laws related to revenue collection at the county government and local authorities. Proper revenue collection and management at the county level is likely to lead to dire financial consequences on taxpayers and government activities. The results on how computerization, internal controls and employee competencies influence revenue collection patterns at the county governance levels enabled county governments to have stable GDPs leading to economic stability. Additionally, it provided sufficient knowhow to county government personnel to adopt correct mechanisms and management of revenue. The study also stands to benefit future researchers, scholars, and academicians who may wish to study tax administration or related subject. The study adopted descriptive design. The target population comprised of employees and officials in the revenue department in Kirinyaga County totaling 500 individuals. This study will use stratified random sampling strategy. The sample size of the study was 83 calculated by means of Nassiuma's (2000) formula. The study adopted the primary and secondary data. The study research instruments used closed structured questioner. The study analyzed data by used of life and descriptive statistics. Life statistics emphasize of multiple regression, correlation and anova. Descriptive statistics comprises of mean, standard deviation, frequencies and mode. Both analyses used SPSS version 20.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxation is one of the leading avenues of revenue collection by governments all over the world. To tax is to execute a financial charge or other levy upon a taxpayer either an individual or a legal entity by a government or the functional equivalent of a state such that failure to pay is punishable by law (Abed & Gupta, 2012). Taxes are also enacted by many sub-national bodies. They can either be direct or indirect and may be paid in form of money or as its labor equivalent. Tax can be defined as a budgetary burden laid upon individuals or property owners to support the state. Therefore, taxes are not voluntary payments or donations but law enacted contributions and therefore it is any contribution enforced by government (Akrani, 2010).

Money provided by taxation has been used by nations and their functional equivalents over time and space to carry out many functions (Atkinson, 2015). Some of these include expenditures on employee wages, the enforcement of law and public order, social engineering, protection of property, economic infrastructure (roads, legal tender, enforcement of contracts and many more), public works, and the operation of government itself. Governments also use taxes to fund welfare and public services. The services can be inclusive of education systems, health care systems, and pensions for the elderly unemployment benefits, security services and infrastructure development. Energy, water and waste management systems are also common public utilities (Hugh, 2010).

1.1.1 Global Perspective

Revenue in form of taxation, excise duties, customs, licenses or other sources is very crucial in ensuring smooth execution of government operations. Regional governments are referred variously depending on the country they are found. In the United States and Kenya they are referred to as county governments, in Uganda they are known as local authorities while in South Africa they are called regional governments. The structure, authority, and mandate of county governments also vary from one country to another. It is asserted that, developed countries have advanced and successful tax policies which enhance revenue collection. Nevertheless, developing countries often have inefficient tax systems which hamper their tax collection efforts (Kayaga, 2007).

Even after various reforms, there is an inflated general budget shortfall in countries to the south of Sahara due to insignificant development in domestic revenue mobilization. Fjeldstad (2001) investigated openings and restrictions that confronts local revenue assembly in Anglophone Africa. They tended to authoritative and political limitations that different revenue tools face and tax compliance by residents. It was discovered that, as exhibited by various cases in Anglophone African nations, activation of income by nearby government experts however important, is until now deficient to create and supply obliged civilities to the general population. Bird (2013) contends that, shortcomings in revenue collections are mostly caused by inadequate administrative staff with mandatory skills, and ignorance among taxpayers and tax collectors. As indicated by Bird, hiring of tax officials who don't know the tax laws in governance and accounting that are necessary in order to analyze returns has been a great obstruction in revenue collection.

Tax administration requires qualified tax workforces with essential abilities needed in order to uphold these systems and work them to their fullest potential (Bird, 2013).

1.1.2 Kenya Perspective

County Governments are geographical units envisioned by the constitution of Kenya, 2010 as the units of devolved government. There are forty-seven county governments in Kenya established based on 1992 districts of Kenya. Their powers are provided for in Articles 191 and 192, and in the Fourth Schedule of the Constitution of Kenya and the County Governments Act of 2012. These governments are responsible for: county legislation, executive functions, functions transferred from the national government, functions agreed upon with other counties and establishment and staffing of a county public service. Counties in Kenya were created as a result of devolution which is principally meant to take away and re-distribute/share out the power to plan, legislate, budget and make policies for governing from the highly centralized national executive and legislature to forty seven county executives and assemblies.

Fiscal decentralization which involves the transfer of taxing and spending powers to lower levels of government has become a key issue of governance in many developing countries in recent years (World Bank, 1999). As an outcome of discontent with the performance of centralized systems, reformers turned to decentralization to split the hold of central government and induce broader participation in democratic governance. Many countries have devolved government for the purpose of enhancing service delivery to their citizens. It is in the same spirit that the Kenyans promulgated a new Constitution of Kenya in August 2010 which brought with it a new system of governance leading to formation of 47 counties, each distinct but interdependent with the national government.

This development has brought the need for better service delivery at County level. These basic services include but are not limited to: improved infrastructure, housing, clean water, electricity, health, education, Agriculture, sanitation, refuse collection, roads, and transport.

The Kenyan Constitution (2010) provided for the sources of Revenues for County Governments. The county government will raise their revenues from the consolidated funds and locally generated funds from levies though this has not been sufficient to meet the huge mandate bestowed to county government. Most county governments were not able to meet half of their revenue targets in the financial year 2014/2015 due to increased loopholes in collection systems, as per Controller of Budget report on county spending for the 2014/2015 financial year, the report further indicated that of the 47 devolved governments, less than half of them collected local revenue of above 50 per cent. The county governments in the financial year 2014/15 raised Ksh. 33.9 billion against a target of Ksh. 50.4 billion which is a performance rate of 64 percent.

Kenya promulgated a new constitution in the year 2010. The new constitution brought in a new devolved system of authority replacing the ancient consolidated system of governance (Awitta, 2010). The devolved government infers that citizens can easily access admission services and effectually engross with the county government. To sustain itself, all the 47 county governments are anticipated to generate and accomplish their own revenue share through numerous events. In fact, the constitution requires that there shall be a reputable revenue Fund for each county government, into which shall be paid all money raised or expected by or on behalf of the county government, except money reasonably excluded by an Act of Parliament (Broome, 2013).

In Kenya, there are 47 county governments whose structure, authority and mandate are the same as enshrined in the Constitution of Kenya (GOK, 2014). According to the Constitution of Kenya 2010, Article 207 in all the four clauses, the local governments today referred to as the county governments since Kenya adopted devolution, defines how the revenue funds are to be obtained, managed and utilized. Clause (1) states that, "There shall be established a Revenue Fund (RF) for each county government, into which shall be paid all money raised or received by or on behalf of the county government, except money reasonably excluded by an Act of Parliament" (GOK, 2014). As specified in the Constitution, county governments obtain their revenue from various sources such as business licenses, parking, small scale business fees, and entry of vehicles in bus stations as well as within the scope of county authorities, land rates and list continues. In the long list of county revenue sources, taxation and single business permits establish the core sources across all the Counties. Indeed, according to Sander (2003), Kenya pioneered a single business permit (SBP) licensing system which has become a model that has been matched and embraced by other countries in region. The county governments have been accorded the mandate to issue SBPs by the Constitution of Kenya (Sander, 2003).

The Constitution of Kenya 2010 demands that several services ought to be devolved to the County Government. Preferably; these governments should finance their processes and/or utilities. Since the creation of the County Governments in Kenya in April 2013, they have been contingent fundamentally on the National Government for financial support (Child, 2008). Nevertheless, their over-reliance on the National Government for funds to a point of calling for a national plebiscite to have their distribution increased indicates that there exist innumerable challenges in revenue collection at the County

levels. KLGRP (2014) argues that, local authorities have not been efficacious in realizing their responsibilities due to the fact that their outflows always outstrip their proceeds.

1.1.3 Revenue Collection in County

Studies done on revenue mobilization from county governments show that there are factors that influence revenue in various counties. For instance, a study by Maina (2010) on the "Factors affecting revenue collection in local authorities in Kenya," showed that, collection of revenue in the Municipal Council of Nyeri (MCON) is riddled with inefficiency and ineffectiveness. A study by Cottarelli (2011) reveals that, there has not been momentous research on the factors affecting the revenue collection in the Kenyan context and specifically in Kirinyaga County. Furthermore, the studies excluded some important factors that impact on revenue collection critical for performance and success of tax system (Bittker & Rahdert, 2011).

To meet the mandate on collection of revenues, county governments have developed various techniques to help them meet their threshold. Before and even after devolution, it was recorded that counties or former municipal and local authorities could not meet their financial expenses due to theft and failure of taxpayers adhering to the law. Therefore, the counties developed an electronic system of revenue collection and wide measures of internal controls (Colombo, 2012). The study area, Kirinyaga County has been reported as one of the entities that enjoys and appreciates the use of technology and internal controls in management of their revenues (Bittker & Rahdert, 2011).

However, there is dearth of information on how such measures and strategies influence revenue collection. Hence the study intends to find out how technology, internal controls and employee competencies influence revenue collection in the study area.

1.2 Statement of the Problem

Revenue collection using automated systems has been observed to be highly adopted among the 47 counties in Kenya. However, aspects of insufficient revenue and corrupt operations are still recorded in the day-to-day activities of county governments. In Kenya, being that there are minimal cases and documentations on how the automated revenue collection systems have impacted revenue collection at the county level, there is dearth of information on how computerized systems employed at Kirinyaga County influence their revenue collection. Secondly, revenue collection at the county levels may be influenced by internal controls developed by county governments to manage revenue collection. The appreciation of internal regulation by county governments may influence revenue collection leading to corrupt deals and stealing of taxes. Additionally, staff competencies are likely to influence the revenue collection systems as they are deemed responsible to manage the systems, yet little is known regarding the extent to which the staff competencies influence revenue collection within the study area. Therefore, it is possible that staff competencies may lead to mismanagement or proper management of revenue collection systems impacting on how the systems exert pressure to the national government.

1.3 General objective

This study aims to analyze the factors influencing revenue collection in county governments, a case study of Kirinyaga County.

1.3.1 Specific Objectives

The study will be guided by the following specific objectives;

- i. To determine the influence of computerized systems on revenue collection in Kirinyaga County.
- ii. To examine the influence of internal controls on revenue collection in Kirinyaga County.
- iii. To assess the influence of staff competencies on revenue collection in Kirinyaga County.

1.4 Research Questions

The study will seek to answer the following research questions;

- i. What is the influence of computerized systems on revenue collection in Kirinyaga County?
- ii. How do internal controls influence revenue collection in Kirinyaga County?
- iii. To what extent does staff competencies influence on revenue collection in Kirinyaga County?

1.5 Significance of the Study

This study will be of significant to several entities;

1.5.1 KRA Management

The findings of the study will inform the KRA Management Board on the options for improvement of its revenue collection in county government so as to ensure that the Authority is able to achieve its set revenue collection targets over the respective financial years. For instance the withholding taxes the VAT, IT1 and now

1.5.2 Policy Makers

In addition, the study will be relevant because its findings may be useful to policy makers who are in a position to make laws related to revenue collection at the county government and local authorities.

1.5.3 County Governments

Proper revenue collection and management at the county level is likely to lead to dire financial consequences on taxpayers and government activities. The results on how computerization, internal controls and employee competencies influence revenue collection patterns at the county governance levels will enable county governments to have stable GDPs leading to economic stability. Additionally, it will provide sufficient knowhow to county government personnel to adopt correct mechanisms and management of revenue.

1.5.4 Future Researcher

Lastly, the study stands to benefit future researchers, scholars, and academicians who may wish to study tax administration or related subject.

1.6 Scope of the Study

The study will be carried out in Kirinyaga County in the revenue department. It borrows its name from Mount Kenya which was originally known as Kirinyaga. Kirinyaga County is a county in the former Central Province of Kenya. It has Kerugoya/Kutus as its capital with the largest town being. Kirinyaga County is an area of 1,479.09 square kilometres with a population of 528,054 as of the year 2009 (GOK, 2009). The county is situated at the foothills of Mount Kenya and 112km from Nairobi. Kirinyaga County borders Embu to the East, Machakos to the South, Muranga to South West and Nyeri to the West. Despite the several studies being done on factors influencing revenue collections in various counties in Kenya, little or no information is displayed on the way revenue collection is impacted on by computerized systems, internal controls and employee competency in Counties. The studies in other counties cannot be generalized to Kirinyaga due to difference in governance structures, slight difference on sources of revenue like tourism, demographic characteristics, and geographical location (GOK, 2014)..

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section is made up of literature reviewed on the factors influencing revenue collection in Kirinyaga County. The section captures the concept of county revenue collection, the theoretical framework, empirical review and the conceptual framework. The aim of this section is to identify the knowledge gaps in the existing literature to express the significance of the objectives.

2.2 Theoretical Review

According to Fox, Gardner, and Osborne (2015), a research study should be guided by a theory. The use of a specific theory provides the thought process, the underlying principles, the operational roadmap, for research design decisions. In the best research designs, the language of the theorist is clearly evident throughout the research steps and methodology. Using a theory to support a research study allows the researcher to build the study by adding to the body of literature. This study will be grounded on three theories namely, the agency theory, the rational expectations theory of technology adoption and the optimal theory of taxation.

2.2.1 The Agency Theory

Agency theory is the supposition that explains the relationship between principals and agents. Developed by Jensen and Meckling in 1976, agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (the government) and agents of the principals (revenue officers and collectors).

The two problems that agency theory addresses are: 1) the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify (because it difficult and/or expensive to do so) what the agent is actually doing; and 2) the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

2.2.2 The Rational Expectations Theory of Technology Adoption

Ayala and Palacio-Vera (2014) posits that this theory can be viewed as an attempt to provide neoclassical theory of expectations and beliefs formation that is priori consistent with the optimization hypothesis. Its original formulation is owed to Muth (1961) who suggested that expectations should be modelled in a way that allows them to change endogenously when the structure of the system changes. According to Au and Kauffman (2005), the rational expectations theory of technology adoption suggests that under certain conditions we can expect to observe clustered adoption, defined as the adoption of a technology by multiple firms at about the same time.

2.2.3 Optimal Theory of Taxation

The standard theory of optimal taxation posits that a tax system should be chosen to maximize a social welfare function subject to a set of constraints. The social welfare function is based on the utilities of individuals in the societies. In its most general analyses; this literature uses a social welfare function that is a nonlinear function of individual utilities. Nonlinearity allows for a social planner who prefers, for example, more equal distributions of utility (Graham, 2000). To reduce the problem facing the revenue collection, it is often assumed that everyone in society has the same preferences over, say, consumption and leisure. Sometimes this homogeneity assumption is taken one

step further by assuming the economy is populated by completely identical individuals. It is important to choose the tax system that maximizes the representative consumers welfare, knowing that the consumer will respond to whatever incentives the tax system provides (Hazel 2005).

2.3 Conceptual Framework

A conceptual framework is described as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel and Ramey, 2010). When clearly articulated, a conceptual framework has potential usefulness as a tool to scaffold research and, therefore, to assist a researcher to make meaning of subsequent findings. Such a framework should be intended as a starting point for reflection about the research and its context. The framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. As with all investigation in the social world, the framework itself forms part of the agenda for negotiation to be scrutinized and tested, reviewed and reformed as a result of investigation (Guba and Lincoln, 2010). For the purpose of this study, the conceptual framework in figure 2.1 shows the relationship between the independent variables (Computerized systems, Employee Competence, and Internal Controls) and the dependent variable (Revenue Collection).

Independent Variables

Dependent Variable

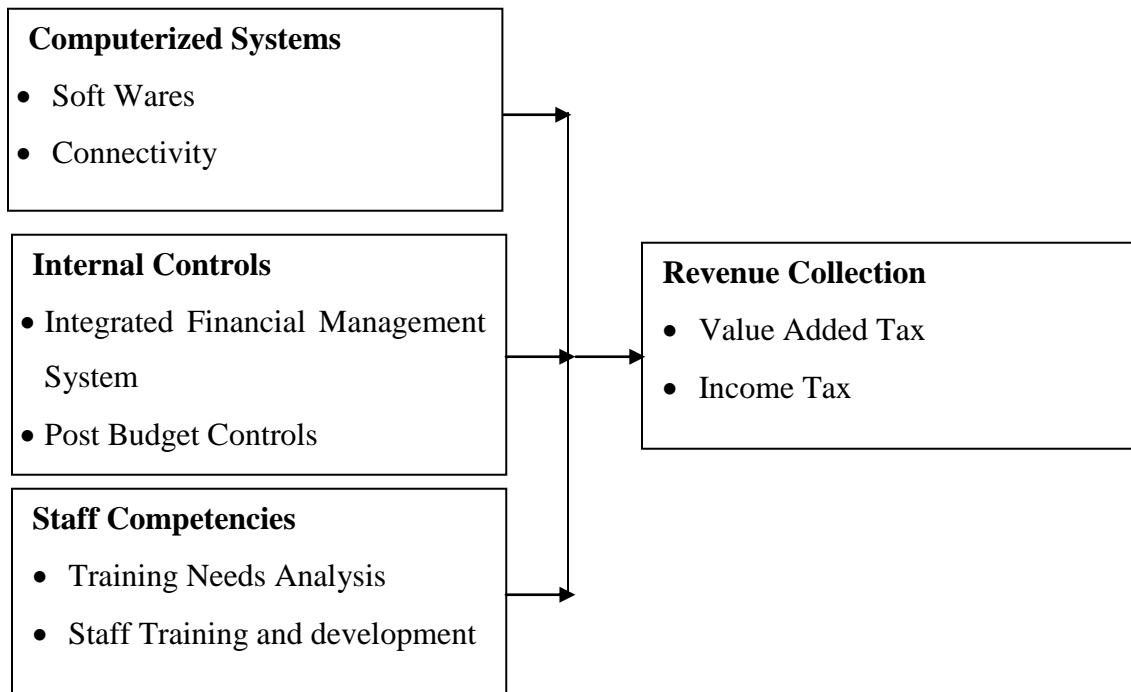


Fig 2.1 Conceptual Framework

2.4 Empirical Review

A number of studies on revenue collection have been done locally and internationally. Mitullah and Kiura (2014) studied the factors affecting revenue collection in local authorities with the intention of improving the local authorities' financial management and Revenue mobilization particularly by deploying and applying Information Financial Management System (IFMS). In Embu County, IFMS is used for all financial management activities, including the billing and collection of all revenues, the payroll, and all expenditure controls including issuance of vouchers, procurement, payment of statutory debts and project expenditure management.

The financial administrative activities are linked through the budget monitoring system, generating a series of operational and management reports to assist in controlling, monitoring, and managing all financial activities within the county. Contrasting previous studies in the governance writings, which focus largely on expenditure-based methods of devolution, the results recounted in this study show that the relationship between decentralization and governance depends on how sub-national expenditures are financed. The higher the share in total sub-national revenues of non-tax profits grants and transfers from the government, the stronger the relationship between decentralization and control. These findings are supported by Gulsan, (2010) who suggests that fiscal decentralization can boost social capital and, hence, bring the government closer to the people.

Fisman and Gatti (2012) did a study on the disparity between revenue generation and expenditure in the United States and found that larger centralized removals are related with high rates of sentence for abuse of public office, which backs the philosophy that soft-budget constraints created by national government transfers are potentially problematic. Fjeldstad, (2011) in a study of the relations between local bureaucrats, politicians and donors in local government revenue enhancement in Tanzania found out that fiscal administrations in many counties are found to be highly corrupt, partly due to the extreme degree of discretionary fiscal power held by local officials, and poor or nonexistent monitoring from above. Furthermore, the research demonstrated that the association of donors through engagements which provide development aid on the base of corresponding funds from the local government may encourage increased tax effort, but at the expense of accountability, responsibility and democratic development.

2.4.1 Computerized Systems and Revenue Collection

Information Technology (IT) expedites creation of a vibrant base of information and communication aptitude on the viewpoints, needs and interests of different investors in any local economy (Morrison and Wrights, 2008). Conversely, the county government shows a fundamental role in local economic improvement in Kenya, although they face a number of setbacks, one of which is the assortment, storage and distribution of information. Most of these administrations like others in Africa; depend on manual file based information stowage with hardly any comment and diffusion taking place. A synopsis of the county government divulges a high demand for data services which include: IT teaching, internet, and email admittance, and desk-top publishing, word processing, printing and photocopying, but obtainability of these amenities is imperfect at the county government level (Bittker & Rahdert, 2011).

The file based data storage which most county governments are employing is burdensome and often not up to-date. Isolated cases where county governments have instigated recognition of Information Technology (IT), it is inadequate to financial administration and secretarial word dispensation services. Espousal of fully fledged IT services has the prospective of encouraging and supporting predictable business service needs, preferment of trade and venture, and joint planning and Development Cooperation in acknowledged areas of interest (Cremer & Gahvari, 2011). Thus, research aimed at finding the status of computerized revenue collection systems in local governance, with inclusion of identification of research primacies as quite applicable for Kenya (Waema, 2009). Keen and Mansour (2008) views E-Government significances to include inaugurating structural and functioning reforms, review of the supervisory and legal

structure and development of a steadfast and secure groundwork as formerly conceptualized, the priority operations and implementation.

Reforms to County Government's financial management systems and processes are becoming acute in response to increasing demands for more transparency and responsibility in the management of the public's finances. Financial supervision entails the procedures and actions by which managers (political and administrative leaders) guarantee that resources are accessible and used effectively and efficiently in the achievement of the organization objectives (D'Archy, 2011). County governments are key stakeholders in IT policy making developments. Though the Ministry of devolution is accredited for having partaken in the national IT policy process, there is no hint that county government that form the base of local government participated (Keen and Mansour, 2014). In spite of their participation, it is not known to what extent the computerized systems have influenced revenue collections in the county governments. Hence the study targets to find out on such impacts.

2.4.2 Internal Controls and Revenue Collection

The Kenyan county governance system is composed of four tiers of county government, namely: Cities, Municipalities, Towns and County Councils (GOK, 2014). These councils are commercial entities that are customary under the county Government Act Chapter 265, overhauled by the new constitution. In addition to the Act, the county governments obtain their legislative powers from the Constitution of Kenya, other Acts of Parliament, Ministerial Orders and By-Laws. Presently there are 47 county governments in Kenya. It further points out that the above legal bodies establish county Government in Kenya, the local governance structure in Kenya is comprehensive than the county government (Keen and Mansour, 2014). As it consists of provincial, district,

location and sub-location administration with mechanical staff drained from numerous ministries. Intrinsic in the scope of county Government and local governance system are various public and private associations, including civil society organizations. Kenya has no decentralization policy that streamlines power sharing, accountabilities, and resources between the central government ministries, parastatals, District Development Committees, and the private sector. This is a problem at an action level, with most of the associations and organizations with no or insufficient synergy. The county governments have an advantage facilitated by the new Constitution since they already have a partaking electoral framework in place (Maina, 2010).

Ronald (2011) revealed that despite the fact that there are constitutional necessities for statutory apportionments and internally engendered revenues; local governments are strongly controlled and subordinated by state governors via sundry mechanisms, including influencing of the disbursement of financial allocations to them. Local governments in Nigeria assemble their funds exclusively from external sources (Feldstein, 2011). The external sources include federal and state governments financial transfers such as grants, statutory apportionments, share of Value Added Tax (VAT), receipts and loans. These external sources have been a core source of a dependency syndrome in local government revenue mobilization exertions. Any obstacles from the external sources have antagonistic effect on the administrative machinery and implementation of some local government worthwhile projects. This has in turn enfeebled their internal revenue mobilization capability (Sander, 2003).

Research reveals that control is imposed on local government revenue mobilization ability by central government through restraining local government budget (Kari, 2014). Even after endorsement, post-budget controls still inflict further limitations on what local

governments can do. The postponement in the passage of annual budget for local governments pretenses a great problem in the sense that budget sometimes take 3 months or more before approval. Consistently, this will cause delay in execution of local government utilities including payment of the staff salaries and hinder infrastructural facilities to be put in place. In 1996, some newly elected Chairmen of Local Governments in Nigeria objected in its entirety the horizontal sharing formula of the local government's divisions from the federation account which was equality (40 per cent) population (30 per cent), land mass/terrain (10 per cent) social development factor (10 per cent) and internally spawned revenue (10 percent). This formula will carry on yielding less revenue for many local governments particularly when more local governments are created.

The reform programme has acknowledged the significance of county government in enhancing economic governance, enlightening public service delivery, and increasing economic efficiency, liability and transparency (GOK, 2014). The reforms have also included putting in place Fuel Levy Fund, Contribution in Lieu of Rates, user charges rationalization, single business permits and most greatly Integrated Financial Management System (IFMS). These platforms aim at reframing the local public sector and more importantly, consolidating local level accountability mechanisms.

The Kenya Local Government Reform Programme (KLGRP) was hypothesized by the government of Kenya in the early 1990s and became functional in 1996. The programme has three components: streamlining of central-local fiscal relationship, augmenting local financial management and revenue mobilization and advancing local service delivery through greater stakeholder participation. The KLGRP focuses on intensifying the legal, financial management and institutional reforms in Local Government sector and this

began with financial reforms aimed at ornamental inter-governmental fiscal transfers, refining debt resolution, financial management, reforming budgeting system and service provision ability in building for Las (KLGRP, 1998).

2.4.3 Staff Competencies and Revenue Collection

The human resource plans that handle training and development of employees, insufficient staffs as well as endowing the staffs on the ethical behaviors free from fraud and corruption will facilitate prime revenue collection (GOK, 2010). Training and development is made up as an ongoing process in any business. Training is the formal and systematic amendment of behavior through learning which occurs as a result of education, development and prearranged experience, (Armstrong, 2011).

On the contrary, staff growth refers to the development of supporting, technical and professional staff in businesses, such as local authorities, in which such staff form a large fraction of those employed. Its goal is to enable such workers to accomplish their current and future duties effectively. Effective and efficient training can curtail learning cost; improve individual, team and commercial performance speed and overall productivity, elevate operational elasticity by prolonging the range of skills possessed by employees, fascinate high quality employees by giving them learning and development chance. It increases the job knowledge and improves on their skill thus facilitating them to be more skilled in the collection of the revenue (Collin, 2011).

The staff framework across all county government is weighed down by a huge workforce that is too heavy with support staff and semi-skilled crews making it problematic to entice and sustain competent professionals due to the unattractive remuneration offered. However, with the introduction of the public sector refining, there has been consistent improvement in the level and eminence of service delivery. (Las Waema, 2006). The

staffing problem should be addressed in tandem with the makeover exercise through several measures aimed at rationalizing excess lower team staff (GOK, 2010). Collecting revenue in Local Authorities is an involving process that necessitates proper preparations before getting on the exercise. Collection of revenue includes organizing and issuing bills, keeping debtors informed on amounts by sending demand notices in their mails. It can also be done via revenue collectors efforts. Record keeping enables the county government to have timely information on persons in receipt of services and follow up on outstanding amounts. It requires diligent staffs, well-trained and dedicated to their work (Brautigam, 2008).

According to Baurer (2015), if a firm does not deal with corrupt tax administration employees, problems are likely to be experienced in the business community. Bird (2003) argues that flaws in revenue collections operations lead to inadequate tax collections. He further records that due to such weaknesses, developing countries have become victims of inefficient tax administration. The aforementioned problem is enhanced to with insufficient administrative staff with vital skills, and high level of illiteracy among taxpayers and tax collectors. Financial limitations has led to hiring of tax officials who lack understanding of the tax laws they are governing, and the model of the concepts of accounting that are requisite to analyzing returns (Kayaga, 2010). Kayaga further posits that, the problem of inexpert and illiterate personnel is aggravated by lack of or insufficient training facilities and opportunities.

A study carried out in Dar es Salaam, Tanzania indicated that, public officials are more effective as revenue collectors as opposed to their private counterparts (Franken, 2007). Fjeldstad and Haggstad (2012) conclude that, mechanisms need to be put in place to improve on accountability of revenue collectors and elected officials. The foregoing,

according to the two scholars, can only be attained through political goodwill from the national government. The arguments were also in line with the work of Pashev (2014) and Chiumya (2014) as they record that, turnover tax is always hampered by illegal practices like reducing of deductions and conspiracy by County Government revenue collectors. Pashev observed that, in many local governments, tax administrators collude with taxpayers to reduce charges in exchange for illegal payments.

2.5 Critiques of the study

Studies indicate that even after various reforms, there is an inflated general budget shortfall in countries to the south of Sahara due to insignificant development in domestic revenue mobilization. Fjeldstad (2001) investigated openings and restrictions that confronts local revenue assembly in Anglophone Africa. They tended to authoritative and political limitations that different revenue tools face and tax compliance by residents. It was discovered that, as exhibited by various cases in Anglophone African nations, activation of income by nearby government experts however important, is until now deficient to create and supply obliged civilities to the general population. Bird (2013) contends that, shortcomings in revenue collections are mostly caused by inadequate administrative staff with mandatory skills, and ignorance among taxpayers and tax collectors. As indicated by Bird, hiring of tax officials who don't know the tax laws in governance and accounting that are necessary in order to analyze returns has been a great obstruction in revenue collection. Tax administration requires qualified tax workforces with essential abilities needed in order to uphold these systems and work them to their fullest potential (Bird, 2013).

Many authors have cited corruption as a key factor affecting revenue collection. Simiyu (2010) conducted a study on challenges affecting collection of turnover tax in Nairobi

County, Kenya. He inaugurated that tax officers took bribes when presented to them to reduce tax obligation and demand for enticements. This situation hugely affected revenue collection. The findings corresponded with earlier studies. (Chiumya, 2009) noted that, revenue tax was deprived by illegal practices such as the reduction of deductions and the involvement of county government revenue collectors. Tax administrators strategized with taxpayers to decrease charges in exchange for unlawful payments (Pashev, 2009). The study finally established that, lack of clearly defined roles, purposes, and duties of public officials crafts an enabling environment for abuse of power.

Technological innovation has been significant matter in tax and revenue collection. The introduction of new mechanisms to support industries further affects ways in which taxes and revenues are collected. Information Technology (IT) keep changing at a very high rate that the existing fiscal systems become obsolete over a short period of time.

The need to incorporate previously existing structures is becoming more challenging since there is need to develop new applications to assist the dynamics of financial processes (Adams, 2002). In addition, the magnitude of processing data increases every year, which necessitates an accessible infrastructure to keep the fiscal processes functioning (Maxwell, 2005). E-Government priorities include introduction of structural and operational reforms, evaluation of the supervisory and legal structure and improvement of a reliable and safe infrastructure (Keen & Mansour, 2008). As it was formerly conceptualized, the implementation frame work and priority activities over the immediate, medium and long terms are along the plans of Government to Government (G2G), Government to Business (G2B) and Government to Citizen (G2C) communications (Waema & Bowman, 2005). However, even if success will be

forthcoming upon such implementation, there is paramount need to investigate on the factors influencing revenue collection in county governments in Kenya.

2.6 Research Gaps

The studies reviewed in this study revealed that major financial reforms in Kenya were introduced in the 1990s with an aim of improving service delivery and local infrastructure. However, few studies have been done out to measure the factors influencing revenue collection in county governments.

Many studies that have been done involving management of revenues have always indicated that corruption could be the greatest factor affecting service delivery and subsequent implementation of viable projects aimed at uplifting the standards of living for the residents. With the introduction of county governments in Kenya, counties have had to generate their own local revenues to enable them provide efficient services to the public. Most reports indicate inadequate revenue collection by county governments. This study will be done to evaluate the factors influencing revenue collection within county governments in Kenya.

2.7 Summary

Chapter one gave an introduction and background to the study and outlined the problem statement and the purpose of the study, it also clearly stated the research questions that the study aims to achieve. The significance alongside beneficiaries of the study has been outlined. The scope both geographical and conceptual is covered. The chapter concludes by defining the key terminologies used. Chapter two elucidates the findings from the literature with the emphasis on the tax compliance and non-compliance. It will therefore serve to clarify how relationship between tax compliance and tax evasion and tax avoidance. Chapter three comprise of the research methodology used in the study. The

chapter defines the research design, population targeted, sample design, procedures of data collection and analysis of data techniques. Also discussed are characteristics of the study design and why the research deemed it appropriate for this study. The chapter also provides information on the population, sample frame and size, sample selection. Data collection method and data collection tool used in the study is also provided. Presentation the findings and results of the study is covered in chapter four. Presentations of the findings and results were presented in table forms. Percentages were used for easy interpretation and understanding.

Chapter five is a summary and discussion of the research researching findings on the factors affecting voluntary tax compliance on rental income

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the general methodology used to conduct the study. It specifies the research design, target population, sampling design, data collection method and instruments, and data analysis and interpretation.

3.2 Research Design

This study adopted descriptive research design. The design employed in the study by engaging the sampled employees to fill the designed tools during the defined time for data collection. The participants, employees in the revenue department will be identified based on existing differences of roles and responsibilities in the various sources of revenue for Kirinyaga County. The selection on differences was significant for attainment of a snapshot of results and characteristics of employees regarding revenue collection in Kirinyaga County. Therefore, the design enabled the study to draw inferences and variations between the purposively selected participants.

3.3 Target Population

The target population comprised of employees and officials in the revenue department in Kirinyaga County. The county has a population of 15,000 employees with 500 working under the revenue department (GOK, 2014). In the department, there are a total, of 200 Revenue Officers, 239 Revenue clerks, 30 accounting/finance officers, and 31 administrative staff. Therefore, the target population was 500 employees of Kirinyaga County Government. In addition, the heads of various sources of revenue in the county was interviewed as key informants in this study until saturation of information is attained

as Benard (2002) records that economic studies provide the best qualitative data when saturation of information from participants is attained.

Table 3.1 Target population

Statement	Target population
Revenue Clerks	439
Accounting/Finance officers	30
Administrative staff	31
Total	500

3.4 Sample Size and Sampling Technique

This study used stratified random sampling strategy. The employees were selected randomly giving each equal opportunity. This was done using Nassiuma's (2000) formula and stratified random sampling which is a form of probability sampling that was employed to obtain the sampled respondents from the study population. In probability sampling, the findings are generalizable to the population of the study.

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

Where

n = sample size;

N = population size;

C = coefficient of variation which is 50%

e = error margin which is 0.05.

Substituting these values in the equation, estimated sample size (n) will be:

$$n = \frac{500 (0.5)^2}{0.5^2 + (500-1)0.05^2}$$

n = 83 leading to 83 respondents in the study

Stratified random sampling employed on the reasoning that, the three categories of employees (revenue collectors, accounting/finance officers, and administrative staff) are relatively heterogeneous. The groups imply three strata and within each stratum, the respondents expected to be homogenous. Additionally, random sampling was conducted amongst respondents in every stratum to point out the true participants in the study. The choice on stratified random sampling is affirmed to return less error than simple random sampling (Trochim, 2002) which further justifies its pick in the study.

3.5 Data Collection Methods

3.5.1 Primary Data

Primary data was used in this study. Data was collected using a questionnaire. These questions were both open ended or closed. The questionnaire was be divided into two parts. Part one of the questionnaire was gathered bio-data of the respondents while second part was obtain primary data on the employees' opinions and perceptions on

issues under investigation. The questionnaire was administered through face to face interviews. The study sought help of research assistance to administer the questionnaire.

3.5.2 Secondary Data

Secondary data used in this study was gathered from books, internet and journals relating to the area of study to complement primary data.

3.6 Data Collection Instruments

Questionnaires were used to collect both quantitative and qualitative data in a standardized way such that the data are internally consistent and coherent for analysis (Nachmias & Nachmias, 2006). In these study questionnaires with both closed and open ended questions was administered to 100 respondents, who are employees of Kirinyaga County under the revenue department. The questions were written in English. The questionnaire was used to collect the socio-demographic features of the employees as well as examine the impact of computerized systems on revenue collection; how internal control impact on revenue collection in Kirinyaga County; and the influence of employee competence on revenue collection in Kirinyaga County. This data was later be used for statistical analysis.

3.7 Pilot Study

Pilot study was carried to determine the reliability as well as validity of the research tools in order to ensure there is consistency and accuracy of the research instruments. Before using the questionnaires for generating data for the study, a pilot study conducted in Nyeri County which is outside the study sample. Five individuals targeted for pilot. The purpose of pre-testing the research instrument was: verify whether the questionnaire is clear to the respondents, establish whether the questionnaire effectively addresses the

data needed for the study, assess and identify any problems respondents would encounter in completing the questionnaire that may not have been foreseen when constructing the questionnaire. This was used to test the correctness of the data collection tools.

3.7.1 Reliability of the Research Instrument

Reliability of a research instrument explains the accuracy and consistency of the measuring tool. All the three variables (competence of employees, influence of computerized system on revenue collection, and internal controls) are expected to return an alpha values at least equal to 0.7 so as to make the study to be considered reliable.

3.7.2 Validity of the Research Instrument

The process of developing and validating a research instrument is largely focused on reducing error in the measurement process (Kimberlin & Winterstein, 2008). A valid instrument is said to measure what it purports to measure. In this study, validity of the research questionnaire was determined by seeking views of the research supervisors and the faculty. After the determination of both reliability and validity of the research questionnaire data was collected for the main study.

3.8 Data collection procedure

Data collection procedures commenced upon approval of the proposal after its defense. An introduction letter was issued to the sampled entities for consent to collect data from the respondents. The questionnaires was administered to the respondents directly by the researcher with the help of two research assistants in order to save on time. For those respondents who were not available for a sit-in filling of the questionnaire, the respondent was used to drop and pick method to ensure they fill the questionnaires

3.9 Data Analysis and Presentation

3.9.1 Quantitative Analysis

The data was collected, cleaned, sorted and collated. All the respondents' opinions and views obtained for the field matched and coded using numerical numbers. Then, it was entered in a computer, after which analysis was done. Descriptive statistics in the form of pie charts, contingency tables and bar graphs was used to describe the data. Measures of association were used to examine the relationship between the independent and dependent variables.

The mean score for each attribute was calculated and the standard deviation used to interpret the respondents deviation from the mean. The results were presented on frequency distribution tables, pie charts and bar charts. Here the interest was focused on frequency of occurrence across attributes of measures. This was followed analysis using Pearson correlation to examine the relationship between variables.

3.9.1 The Qualitative Analysis

Qualitative data was collected through questionnaires was first edited and response rate calculated. The data was then categorized into different themes according to research variable and descriptive statistics such as mean, standard deviation and frequency distribution which according to Kothari (2012) measures the point about which items have a tendency to cluster and describe the characteristics of the data collected was computed. Qualitative data for the study was derived from the questionnaires and the purpose for analyzing the data

3.9.2 Empirical Model

The study used the following model to in in the analysis of data;

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

Where:

Y = Revenue Collection in County Governments

β_0 = Constant

β_1 to β_4 =Coefficient of independent variables

X_1 = Computerized Systems

X_2 =Internal Controls

X_3 =Staff Competences

e =Error term

3.10 Measurement of Study Variables

Table 3.2: Measurement of Variables

Variable	Indicators/measures	Likert scale
Computerized system	Soft wares Hardwares Connectivity	5 points
Internal controls	Integrated Management system Post budget controls	5 points
Staff competencies	Training needs and analysis Staff training needs and development	5 points

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the findings obtained from respondents working in Kirinyaga County Government. Both descriptive and inferential statistics were performed to achieve the study objectives. The data was analyzed using Statistical Package for Social Sciences (SPSS) version 20 and interpreted according to the research questions which were summarized into frequency tables. Anova was carried out to test the fitness of the model. The section provides data analysis and presentations of research findings.

4.2.1 Reliability of the Pre-Tested Research Instrument

Cronbach alpha, is a measure of internal consistency, was used to examine the internal reliability of the questionnaire. The higher the mark, the more dependable the generated data is. (Nunnaly 1978) has indicated 0.7 to be an acceptable reliability thus it was considered adequate for this study. Based on the feedback from the pilot test, the questionnaire was modified and a final one developed.

Tables 4.1 below shows that all the scales were significant, having an alpha above the prescribed threshold of 0.7. Internal controls had the highest reliability ($\alpha=0.831$) followed by computerized systems ($\alpha=0.827$), then staff competencies ($\alpha=0.729$). The study therefore found that the data was reliable thus could be used for further investigation.

Table 4.1 Reliability Coefficients

Scale	Cronbach Alpha	Number of Items
Staff competencies	0.729	3
Internal controls	0.831	8
Computerized systems	0.827	7

4.2.2 Response Rate

A total of eighty three (83) questionnaires were distributed to the selected respondents working in Kirinyaga County Government. Out of the eighty three questionnaires distributed, forty five (45) questionnaires were duly filled by the respondents and returned to the researcher. This gave a response rate of 55%. This information is shown in table 4.1.

Table 4.1 Response rate

Response	No. of questionnaires	Percentage
Returned	45	55%
Not returned	38	45%
Total	83	100%

4.2.3 Gender of Respondent

Table 4.2 shows the distribution of respondents by gender.

Table 4.2 Gender of the Respondents

Gender	Frequency	Percentage
Male	26	57.8
Female	19	42.2
Total	45	100.0

From the Table 4.2, 57.8% of respondent are male and 42.2% are female. This means that there were more male respondents as compared to female.

4.2.4 Experience of the Respondents

The study sought to find out the level of experience of the respondents by number of years worked. Table 4.3 shows the findings.

Table 4.3 Number of Years Worked

Years Worked	Frequency	Percentage
0-3	12	26.7
4-6	14	31.1
7-9	8	17.8
above 9	11	24.4
Total	45	100.0

From the Table 4.3, 31.1% of the respondent had an experience of 4-6 years while 26.7%, 24.4% and 17.8% had an experience of 0-3, over 9 and 7-9 years of experience respectively. This means that majority of the respondents had experience of above 4years. Consequently, this means that the respondents answers to the questions directed to them were credible since they have vast experience working in Kirinyaga County Government.

4.2.5 Position of the Respondents

The study sought to find out the positions held by the respondents. Table 4.4 shows the findings of the study.

Table 4.4 Position of Respondents

Position Held	Frequency	Percentage
Revenue Clerks	28	62%
Accounting Officers	12	27%
Administrative Officers	5	11%
Total	45	100.0

From Table 4.4, the positions of respondent were distributed among the three groups as follows; revenue clerks 62%, accounting officers 27% and Administrative Officers 11%. . These were the key informants in Kirinyaga county government with valued knowledge on revenue collection. This means that the required information on revenue collection was collected.

4.2.6 Academic Level of the Respondents

The study sought to find out the academic qualifications of the respondents. The results of the finding are as shown on Table 4.5.

Table 4.5 Academic Level of the Respondents

Level	Frequency	Percentage
Certificate	5	11.1
Diploma	34	75.6
Degree	3	6.7
Post Graduate	3	6.7
Others	0	0
Total	45	100.0

It's evident from Table 4.5 that 75.6% of respondent had degree qualification particularly the accounting and administrative officers, diploma 6.7% other qualification such CPA, ACCA represented by 11.1% and post graduate represented by 6.7%. The respondents had the appropriate professional background to provide relevant information for the study.

4.2 Descriptive Analysis

In this section, pertinent attributes of the study variables are provided. Findings relevant to revenue collection in county governments in relation to computerized systems, internal controls and staff competences have been presented.

4.3 Computerized Systems

The study sought to find out the effects of computerized systems on the revenue collection in county governments. To do this, the respondents were required to rate the effects of software management on revenue collection. Table 4.6 shows the findings.

Table 4.6 Effects of Software Management

Ratings	Frequency	Percentage
Not Affecting	4	8.9
Moderately Affecting	4	8.9
Affecting	7	15.6
Highly Affecting	12	26.7
Very highly affecting	18	40.0
Total	45	100.0

Source: Survey data (2019)

From the Table 4.6, software management is very highly affecting towards the revenue collection in county governments represented by 40%, highly affecting 26.7% affecting 15.6% , and 8.9% each felt it moderately affects and did not affect respectively. This means that software management has a high effect on revenue collection in county governments. Hence the stake holders in the county governments need to closely enhance software management in order to maximize realization of opportunities. The study further sought also find out the effect of connectivity on policy on revenue collection in county governments. To do this, the study enquired on the views of the respondents on whether they agreed that connectivity affects revenue collection in county governments. The findings of the study are shown in Table 4.7.

Table 4.7 Effects of Connectivity

Ratings	Frequency	Percentage
Very Strongly Disagreed	2	4.4
Strongly disagreed	4	8.9
Disagreed	5	11.1
Agreed	9	20.0
Strongly agreed	25	55.6
Total	45	100.0

Source: Survey data (2019)

From Table 4.7, 55.6% strongly agreed that good internet connectivity facilitate revenue collection, 20% agreed, 11.1% disagreed, 8.9% strongly disagreed while 4.4% very strongly disagreed. This means that connectivity provide enabling environment for ease in revenue collection in county governments.

Hence stakeholders in county governments should enhance the ideals of connectivity. The study findings are supported by a number of studies which includes (Kaldor, 1956).

4.4 Internal Controls and Revenue Collection in County Governments

The study sought to determine the on effects of internal controls on revenue collection in county governments. The results of the findings are shown in Table 4.8.

Table 4.8. Effect of internal controls

Ratings	Frequency	Percentage
Not Affecting	4	8.9
Moderately Affecting	4	8.9
Affecting	7	15.6
Highly Affecting	12	26.7
Very highly affecting	18	40.0
Total	45	100.0

From Table 4.8, 40% of respondents were in opinion that internal controls has great impact on revenue collection in county governments. 26% and 15.6 % of respondents were of opinion that internal controls has moderate and least impact on revenue collection in county governments respectively, while 8.9% were in opinion that its impact is negligible and the rest (8.9%) indicated that it had no effect.

This means that internal controls very highly affects revenue collection in county governments. The study findings are supported by a number of studies which includes. (Kaldor, 1956).

4.4.1 Integrated Financial Management System

The study sought to find out the effects of integrated financial management system on revenue collection in county governments. Table 4.9 indicates the findings of the study.

Table 4.9 Effects of Integrated Financial Management System

Ratings	Frequency	Percentage
Not Affecting	3	6.7
Moderately Affecting	3	6.7
Affecting	3	6.7
Highly Affecting	12	26.7
Very highly affecting	24	53.3
Total	45	100.0

Source: Survey data (2019)

Table 4.9 shows that 53.3% of respondents were in opinion that economic information of respondents influences internal controls to very great extent, 26.7% felt that it influenced internal controls to a great extent, 6.7% felt that it had an effect, while another 6.7% each felt that it affected moderately and no effect respectively. This means that assessment of integrated financial management system very highly affects revenue collection in county governments. Management and stakeholders in County governments should hence embrace application of IFMIS.

4.4.2 Post budget controls and Revenue collection in county governments

The study sought to find out the effect of post budget controls on revenue collection in county governments. Tables 4.9 are indicative of the findings.

Table 4.10 Effects of Post budget controls

Ratings	Frequency	Percentage
Not Affecting	3	6.7
Moderately Affecting	1	2.2
Affecting	7	15.6
Highly Affecting	9	20.0
Very highly affecting	25	55.6
Total	45	100.0

Source: Survey data (2019)

Findings on Table 4.10 indicate that most respondents felt that post budget controls affect collection of revenue by county governments to a very great extent represented by 55.6% great extent 20% moderate extent 15.6% least extent 2.2% and no extent 6.7%. This means that post budget controls very highly affects revenue collection in county governments. The findings are in line with observation made by Tai (2004) that the banker needs to be sure that the borrower has sufficient collateral to cover the amount of the loan as a secondary source of repayment should the borrower fail. The study findings are supported by a number of studies which includes (Kaldor, 1956).

4.5 Staff Competencies

The study further sought to find out the effects of staff competencies on revenue collection in county governments. To do this, the respondents were asked to rate the effects of staff competencies on performance of their County governments. The results of the findings are shown on Table 4.11.

Table 4.11 Staff competencies

Ratings	Frequency	Percentage
Not Affecting	1	3.0
Moderately Affecting	2	5
Affecting	3	4.6
Highly Affecting	5	12.0
Very highly affecting	34	75.4
Total	45	100.0

Source: Survey data (2019)

The findings on Table 4.11 indicate that staff competencies affects revenue collection in county governments to very great extent 75.4%, great extent 12%, 4.6 just affecting 5% moderately affecting while 3.0% indicated that it has no effect. Hence there is need to monitor staff competencies since these aid the worker to perform more effectively and efficiently.

4.5.1 Staff Training and Development and Revenue collection in county governments

The study further sought to find out the effects of staff training and development on the collection of revenue by county governments. Table 4.16 shows the findings of the study.

Table 4.12 Effects of Staff Training and Development

Ratings	Frequency	Percentage
Not Affecting	4	8.9
Moderately Affecting	3	6.7
Affecting	5	11.1
Highly Affecting	16	35.6
Very highly affecting	17	37.8
Total	45	100.0

Source: Survey data (2019)

Results in Table 4.12 show that 37.8% and 35.6% were of opinion that staff training and development affects the revenue collection in county governments at a very great extent and great extent respectively. 11.1% were moderate, 8.9% felt it did not have any impact while 6.7% were of a little extent. This means that staff training and development highly affects revenue collection in county governments. Hence management of County governments should realize that there is need to continuously train and develop their staff to ensure that they gain the relevant competencies. The study findings are supported by a number of studies which includes (Kaldor, 1956).

4.6 Correlation between Variables

The coefficient of correlation enables assess the strength of a relationship between the dependent variable and independent variable. The larger the correlation value the stronger the association between two variables. It also shows the direction of relationship between two variables. In the study, computerized systems, internal controls and staff competencies are the independent variables and revenue collection in Kirinyaga County

is the dependent variable. The correlation coefficients are as indicated in the tables below for the four independent variables.

4.6.1 Correlation Analysis

Table 4.13 below presents the results of the correlation analysis.

Variables		Revenue collection	Computerized systems	Internal controls Level	Staff Competences
Revenue collection	Pearson Correlation	1			
	Sig. (2-tailed)				
Computerized systems	Pearson Correlation	0.730*	1		
	Sig. (2-tailed)	0.004			
Internal controls Level	Pearson Correlation	0.531*	0.228*	1	
	Sig. (2-tailed)	0.002			
Staff Competences	Pearson Correlation	0.547*	0.321*	0.286*	1
	Sig. (2-tailed)	0.000			

Table 4.13 shows that the correlation between computerized systems and revenue collection is strongly positive as indicated by correlation of 0.730. The p-value of 0.004 is less than acceptable significance level (0.01). This means that computerized systems strongly affects revenue collection of county governments at 95% confidence level. The correlation between internal controls and revenue collection strongly positive as indicated by correlation of 0.531. The p-value of 0.002 is less than acceptable significance level (0.01). This means that internal control is strongly affects revenue collection of county

governments at 95% confidence level. The correlation between staff competencies and revenue collection is strongly positive as indicated by correlation of 0.547. The p-value of 0.000 is less than acceptable significance level (0.01).

This means that staff competencies strongly affects revenue collection of county governments at 95% confidence level.

4.7 Regression Analysis and Testing the Study Model

A multiple regression analysis was conducted to investigate the joint causal relationship between the independent variables and dependent variable rental revenue collection. This is represented by the overall model

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

a) Computerized systems

To evaluate the effect computerized systems and revenue collection in Kenya.

Table 4.14: Model Summary of Tax compliance cost

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.437 ^a	.187	.186	.87526	1.987

a. Predictors: (Constant), computerized systems

b. Dependent Variable: Revenue collection

The R square value in table 4.14 in this case is 0.187 which clearly suggests that there is a strong relationship between Computerized systems and Revenue collection as indicated in table above. This indicates that Tax compliance cost share a variation of 18.7% of revenue collection.

Table 4.15: ANOVA of Computerized system

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.892	1	10.855	12.112	.000 ^b
	Residual	22.767	81	.744		
	Total	54.648	82			

a. Dependent Variable: Revenue collection

b. Predictors: (Constant), computerized system

The ANOVA result in Table 4.15 showed that the overall model was a good fit since (F-value =12.112 and p-value=0.000<0.05).

Table 4.16: Coefficients of Computerized system

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.255	.115	-	2.255	.055
	Computerized system	.433	.155	.446	3.711	.000

a. Dependent Variable: revenue collection

Table 4.16 indicates that the regression weight for computerized systems was positive and significant ($\beta = 0.433$, $t = 3.711$, $p < .05$). Therefore, the null hypothesis was rejected at $P < 0.05$ level of significance implying that computerized system has a significant relationship with revenue collection. The regression estimate for tax compliance cost was 0.433; this indicates that a unit increase in computerized system would result in 43.3% increase in value added tax compliance

b) Internal control

To find out the effect of internal control on revenue collection in Kenya. \

Table 4.17: Model Summary of internal control

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.448 ^a	.244	.233	.55515	2.033

a. Predictors: (Constant), internal control

b. Dependent Variable: revenue collection

The R square value in Table 4.17 was 0.244 which clearly suggested that there is a strong relationship between internal control and revenue collection. This indicates that internal control share a variation of 23.3% of revenue collection.

Table 4.18: ANOVA of internal control

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.886	1	11.987	15.033	.000 ^b
	Residual	55.643	81	.564		
	Total	44.648	82			

a. Dependent Variable: revenue collection

b. Predictors: (Constant), internal control

The ANOVA Table in 4.18 indicates that the overall model was a good fit since (F-value=15.033 and p-value=0.000<0.05).

Table 4.19: Coefficients of internal control

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.331	.104	-	2.044	.044
	Internal control	.234	.114	.562	2.001	.000

a. Dependent Variable: revenue collection

Table 4.19 indicates that the regression weight for internal control was positive and significant ($\beta = 0.562$, $t = 2.001$, $p < .05$). Therefore, the null hypothesis was rejected at $P < 0.05$ level of significance implying that internal control has a significant relationship with revenue collection. The regression estimate for internal control was 0.562; this indicates that a unit increase in level of tax knowledge would result in 56.2% increase in revenue collection in Kenya.

c) Staff competencies

To investigate the effect of staff competencies on revenue collection in Kenya.

Table 4.20: Model Summary of staff competencies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.421 ^a	.155	.155	.8776	1.7775

a. Predictors: (Constant), staff competencies**b. Dependent Variable: revenue collection**

The R square value in Table 4.20 is 0.155 which clearly suggests that there is a strong relationship between staff competencies and revenue collection as indicated in table above. This indicates that staff competencies share a variation of 15.5% of revenue collection

Table 4.21: ANOVA of staff competencies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.617	1	12.608	13.752	.00 ^b
	Residual	44.035	81	.555		
	Total	34.647	82			

a. Dependent Variable: revenue collection

b. Predictors: (Constant), staff competencies

The ANOVA table in 4.21 indicates that the overall model was a good fit since (F-value=13.752 and p-value=0.000<0.05).

Table 4.22: Coefficients of staff competencies

Model		Unstandardized Coefficients		Standardize d Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.258	.115	-	2.222	.022
	Staff competencies	.333	.108	.433	3.608	.000

a. Dependent Variable: revenue collection

Table 4.22 indicates that the regression weight for staff competencies was positive and significant ($\beta = 0.333$ $t = 3.608$, $p < .05$). Therefore, the null hypothesis was rejected at $P < 0.05$ level of significance implying that staff competencies has a significant relationship with revenue collection in Kenya. The regression estimate for staff competencies was 0.408 this indicates that a unit increase in staff competencies would result in 43.3% increase in revenue collection in Kenya. .

Table 4.23: Model Summary for independent and dependent variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.725 ^a	.605	.443	.66722	2.004

a. Predictors: (Constant), computerized systems, internal control and staff competencies

b. Dependent Variable: Revenue collection

From the model summary The R square value in Table 4.23 is 0.602 which clearly suggests that there is a strong relationship between computerized systems, internal control and staff competencies and revenue collection as indicated in table above. This indicates that comprised systems, internal control, and staff competencies interest share a variation of 60.5% of revenue collection in Kenya.

The overall goodness of fit was obtained through regressing the goodness of fit for all the independent variables. The results of the multiple regression indicate $R^2 = .605$ and adjusted $R = .443$ as shown in Table 4.23. This is an indication that there is a strong relationship between independent variables and revenue collection.

Table 4.24: ANOVA for independent and dependent variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.376	1	5.444	10.338	.000 ^b
	Residual	38.262	81	.513		
	Total	35.629	82			

a. Dependent Variable: revenue collection

b. Predictors: (Constant), computerized systems, internal control and staff competencies

The overall model significance was presented using the ANOVA test table. The results in Table 4.24 shows that the overall model was a good fit since (F-value=10.338 and p-value=0.000<0.05) for all independent variables meaning that null hypothesis is rejected and concludes that there is a relationship between different independent and dependent variables. The findings there imply that all independent variables were statistically significant in explaining revenue collection in Kenya. ANOVA was used to test whether the regression analysis model used is fit or the relationship of the variable just occurred by chance.

Significance of F ratio is used to determine whether model used was fit or not. If the F ratio is significant the model used is considered fit and vice versa. A P - value of less than 0.05 indicates that the F statistics is high and that the null hypothesis of independent needs to be rejected since it's not true. In this case the F ratio (F=10.338, P=.000^b) was found to be significant hence the model used for analysis was fit

Table 4.25: Coefficients of Overall Regression Model

Model		Unstandardized		Standardize		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.195	.077	-	2.054	.044
	Computerized systems	.312	.077	.254	2.266	.016
	Internal systems	.241	.054	.355	3.560	.043
	Staff competencies	.296	.077	.333	3.061	.022
		.315	.067	.246	2.366	.014

a. Dependent Variable: revenue collection

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots \dots \dots$$

$Y = 0.195 + 0.312X_1 + 0.241X_2 + 0.296X_3 + 0.315$ were significant with p- values of 0.044, 0.016, 0.043 + 0.014, respectively.

The regression equation above has established that taking all factors into account (computerized systems, internal control and staff competencies) the findings reveals that assuming other variables are at zero a unit change (increase) in computerized systems will lead to a 0.312 increases revenue collection; a unit increase in internal control will lead to a 0.241 increases revenue collection; a unit increase in staff competencies will lead to a 0.296 increases revenue collection as shown in table 4.20. This infers that penalties and interest influences value added tax compliance to a great extent followed by tax compliance cost then tax rate while level of tax knowledge influence to a little extent value added tax compliance

The regression coefficient results indicate a positive significant effect between computerized system, internal control and staff competencies and revenue collection.

4.7 Discussion of key Findings

The key findings of the study are discussed in this section as per study objectives.

4.7.1 Computerized systems and revenue collection

Computerized system was assessed using five measures and the overall mean score or responses regarding computerized systems were 2.2 on a 5-point scale which indicates that majority of the respondents agreed that computerized systems on revenue collection in Kenya. The average overall standard deviation of 0.7 infers that 68% of the response was spread within one standard deviation of the overall mean. Further collinearity

analysis was done and the results showed that tax compliance cost had positive and significantly related to revenue collection ($r = 0.456$, $p\text{-value}=0.00<0.05$).

4.7.2 Internal control and revenue collection

Internal control was assessed using five measures and the overall mean score or responses regarding internal control were 1.6 on a 5-point scale which indicates that majority of the respondents agreed that internal control affects the revenue collection in Kenya. The average overall standard deviation of 0.0.66 infers that 68% of the response was spread within one standard deviation of the overall mean. Further collinearity analysis was done and the results revealed that internal control had a positive and significantly related to revenue collection ($r = 0.431$, $p\text{-value}=0.00<0.05$).

4.7.3 Staff competencies and revenue collection

Staff competencies was assessed using four measures and the overall mean score or responses regarding staff competencies were 2.5 on a 5-point scale which indicates that majority of the respondents agreed that staff competencies affects the revenue collection Kenya. The average overall standard deviation of 0.74 infers that 68% of the response was spread within one standard deviation of the overall mean. Further collinearity analysis was done and the results showed that staff competencies had a positive and significantly related to revenue collection ($r = 0.458$, $p\text{-value}=0.00<0.05$).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study entailed revenue collection. The chief aim was to analyze the factors affecting revenue collection in county governments. The chapter therefore recounts the summary of the major findings, the conclusions reached, recommendations and highlights of the area that require further research.

5.2 Summary of Major Findings

In this chapter, the results of the study were used to collaborate the research questions posed with regard to revenue collection in county governments. The study found that majority of the respondents were male represented by 57.8%. Through questionnaires, information relevant for this study was collected. Majority of the respondents are well trained with over 83% having degree qualification and above. Hence the respondent had adequate experience to understand the concept of revenue collection in county governments.

5.3 Computerized systems

Computerized systems analysis was performed using descriptive techniques. The study noted that the use of technology was highly embraced thus ensuring efficiency and effectiveness in revenue collection. The revenue reports were generated in real time and could be used to know total revenue collected at a particular period. The study confirmed that computerized systems relate to revenue collection. Tighter information

systems were found to have positive relationship with revenue collection. It was further found that information system enhanced tighter financial control.

5.4 Internal control

On the factor of internal control, it was found that 40% of respondents were in opinion that internal controls has great impact on revenue collection in county governments. 26% and 15.6 % of respondents were of opinion that internal controls has moderate and least impact on revenue collection in county governments respectively, while 8.9% were in opinion that its impact is negligible and the rest (8.9%) indicated that it had no effect. This is in line with observation made by Kari (2014) that control is imposed on local government revenue mobilization ability by central government through restraining local government budget. Even after endorsement, post-budget controls still inflict further limitations on what local governments can do. The postponement in the passage of annual budget for local governments pretenses a great problem in the sense that budget sometimes take 3 months or more before approval. Consistently, this will cause delay in execution of local government utilities including payment of the staff salaries and hinder infrastructural facilities to be put in place

5.5 Staff competencies

On staff competencies, the study found that the county government employees had good level of basic education on revenue collection. This was paramount in ensuring that they were accurate in determining actual tax rates, the amount payable and penalties payable in arrears. It was established that 37.8% and 35.6% were of opinion that staff training and development affects the revenue collection in county governments at a very great extent and great extent respectively. 11.1% were moderate, 8.9% felt it did not have any impact while 6.7% were of a little extent.

5.3 Conclusions

Based on the analysis and findings presented above, the following conclusions have been reached. Computerized systems increases the revenue collection in county governments and therefore investment in ICT is very important to county governments. This is because computerized information systems had a positive effect on revenue collection. Computerization of county activities such as revenue collection enhanced efficiency as a result of timely revenue collection, enhancing management integrity, provision of clear records among other factors. Information systems also improved the operations that facilitated internal control of systems to enhance efficiency and effectiveness of the county government. The study hence concludes that there is a strong relationship between computerized systems and revenue collection in county governments.

Internal control plays a major role in ensuring higher revenue collection in county government. Internal control through integrated financial management systems and post budget control have positive relationship with the revenue collection of county governments. This is deduced from the fact that the internal control aspects are all significantly influencing the revenue collection of county governments.

5.4 Recommendations

From the findings and conclusion of the study the following recommendation are made; Aspects of computerized systems are important factors in revenue collection by county governments. Computerization of information systems need to continue because it has shown to have positive effect on revenue collection.

Internal control is of paramount importance in the collection of revenue. The study therefore recommends that management of county government to put in place strict internal control systems in order to enhance revenue collection.

Finally, employee skills is a basic requirement for every county to achieve its targets. The study therefore recommends that the counties undertake continuous and periodical trainings of both new and existing staff to ensure that all employees are in line with the county vision and work within acceptable standards, in addition to enhancing revenue collection.

5.5 Suggestions for Further Studies

The study is not exhaustive and the research proposed the following studies to be carried out in the same area of research. A study should be carried out on comparative analysis of revenue collection in county governments at different years. A study should also be carried out on socio-economic factors influencing revenue collection in county governments. There should also be a study carried out on effect of government policies on revenue collection in county governments.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Respondent,

My name is Lawrence Otieno Orwa. I am a post graduate student at JKUAT, at the Kenya School of Revenue Administration (KESRA). I am carrying out a study on **Factors Influencing Revenue Collection in County Governments: A case Study of Kirinyaga County**. You have been sampled as one of the respondents. I would like you to spare a few minutes of your time to respond to the questions in aid of my research. Any information you provide shall be for the purposes of this research only and be treated with strict confidentiality.

Yours faithfully

Laurence Otieno Orwa

Section A: Socio-demographic information

Kindly tick the following statements appropriately

1. Gender
(a) Male
(b) Female
2. Marital Status
(a) Single
(b) Married
3. Age of Respondent
(a) Below 18 Years (b) 21-28 Years
(c) 29-36 Years (d) 37-44 Years
(e) 45-52 Years (f) 53-60 Years
4. Years of Service in the Institution _____
5. Position in the county _____
6. Level of Education
(a) None (c) Secondary
(b) Primary (d) Tertiary
(e) University
7. Religion: Catholic Protestant
 Islam Other (Specify) _____

SECTION B: Computerized Systems and Revenue Collection

Please indicate using the scale 5-1 (as shown below) the extent to which you agree or disagree with the following statements;

5 - Strongly agree: 4 - Agree: 3 - Neutral: 2 - Disagree: 1-Strongly disagree

Statement on Computerized Systems		Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
1.	Automation of revenue collection processes increases transparency in the assessment of taxes					
2.	Automation of revenue collection processes ads payment and accounting for payments of taxes					
3.	Automation of revenue collection processes reduces substantially the taxes clearance time, and predictability					
4.	Automation results in direct and indirect reduction in administration cost and increased effectiveness in collection of tax revenue					
5.	Automating leads to increases collection of duties and taxes					
6.	Automation of revenue collection processes reduces physical examination of goods and enhances separation of payment of duties and taxes from physical clearance of goods and faster electronic lodgments of customs declaration					

SECTION C: Internal Controls and Revenue Collection

Please indicate using the scale 5-1 (as shown below) the extent to which you agree or disagree with the following statements;

5 - Strongly agree: 4 - Agree: 3 - Neutral: 2 - Disagree: 1-Strongly disagree

	Internal Controls statements	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
1.	Management has established policies and procedures for all major operations					
2.	There is a well elaborated structure reflecting the chain of command					
3.	Management is committed to implementation of internal control system					
4.	Ethical values are being upheld in all management decisions dealing with all stakeholders					
5.	Audit committee adequately maintains a direct line of communication with entities both internal and external					
6.	Specific lines of authority have been established to ensure complies with rules and regulations					

SECTION D: Staff Competencies and Revenue Collection

Please indicate using the scale 5-1 (as shown below) the extent to which you agree or disagree with the following statements;

5 - Strongly agree: 4 - Agree: 3 - Neutral: 2 - Disagree: 1-Strongly disagree

Employee Qualification statements		Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
1.	Kirinyaga County government have tax administration skills					
2.	Kirinyaga County government employees have deep understanding of tax structure					
3.	Kirinyaga County government employees understand the tax law in Kenya					
4.	Kirinyaga County government have return analysis skills					

Thank you for your cooperation. Your participation has been of great assistance.

APPENDIX II: RESEARCH TIME FRAME

Activity	Aug/Sept	Oct/Dec	Jan/Mar	April	May
Formulation of research problem					
Consolidation of literature					
Consultation with supervisors					
Project presentation					
Making corrections on the project					
Field data collection					

Source: Researcher's planning and estimation

APPENDIX III

RESEARCH BUDGET ESTIMATES

Activities	Quantity	Unit Cost	Total Cost
A. Project Writing			
i. Stationary	1 Dozen	12 X 60	720
<input type="checkbox"/> foolscaps	4 Reams	280	1,120.00
<input type="checkbox"/> pens	10 Pieces	50	500
<input type="checkbox"/> Flash disks	1	800	800
ii. Typing and Printing	30	60	1,800.00
iii. Photocopying	30 Days	500	15,000.00
iv. Binding (Loosely)	30 Days	80	2400.00
v. Transport (Local)	5 Days	1000	5,000.00
vi. Subsistence	5 Days	3000	15,000.00
vii. Literature Review	5 Days	300	1,500.00
SUB-TOTAL			43,840.00
B. Data Collection			
i. Typing And Printing Questionnaires	10 Copies	40	400
ii. Photocopying	10 Copies	3	300
iii. Subsistence (local)	20 Days	1000	20,000
iv. Transport (Local)	20 Days	1000	20,000
SUB-TOTAL			40,700.00
C. Project Preparation			
i. Typing and Printing	10	40	400.00
ii. Photocopying	10	3	300.00
iii. Binding	10	40	400.00
iv. Transport	5	3000	15,000.00
v. Subsistence	5	3000	15,000.00
SUB-TOTAL			31,100.00
Contingencies (10%)			11,964.00
Sub-Totals			115,640.00
Grand Total			127,604.00